Anchorage School District

Purchasing Management Review
and
Analysis Report

Executive Summary

The primary objective of the Management Review and Analysis, as reflected in the Scope of Work, was to have NIGP perform a management review and analysis of the District's current Board Policy Section 725 in order to determine whether the policy allows the District to properly manage the procurement function, as well as providing recommendations to update current procurement procedures and Board Policy to implement Best Practices for a public education entity. Secondary objectives were to:

- ❖ Provide best practices recommendations for Purchasing for the procurement of goods and services for a public education entity.
- ❖ Provide recommendations for a process to determine when standardization of items should be used on a district-wide scale.
- ❖ Provide recommendations for future technology and e-commerce opportunities to enhance the District's procurement function.

During the engagement 52 District individuals were interviewed either through personal meetings, group focus sessions, or by telephone. Some Purchasing staff members were interviewed more than once.
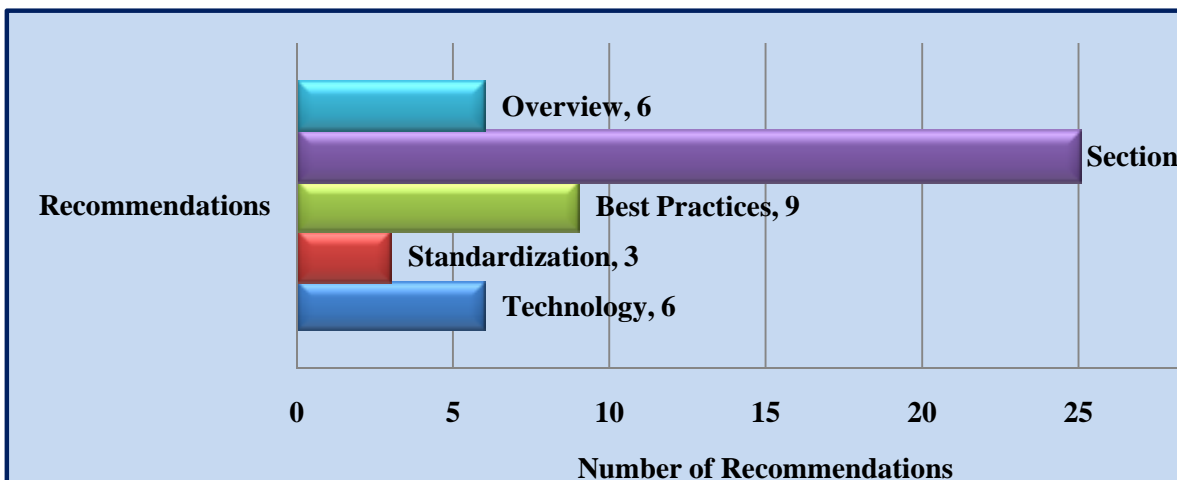

Figure 1 Recommendations by Report Section

There are 49 recommendations being proposed. Figure 1 depicts the number of recommendations by report section. Recommendations reflect best public procurement practices, support management strategic objectives and simplify and streamline existing processes. All recommendations will contribute directly to the goals of allowing the District to properly manage the procurement function, enable operational improvements, and improve and increase accountability. In order to serve as a roadmap for improvement, recommendations are detailed as Short Term (0 – 6 months), Medium Term (6 – 12 months) and Long Term (12 - 24 months), each with an indication whether it would be best carried out with internal or external resources.

The review of Section 725.2 Acquisition of Construction Projects and Architectural Engineering Design Services reveal that those policies are adequately configured and serving the Facilities Department's needs. The Facilities Department is creatively and effectively using all of the policy tools in their toolkit to provide the District with adequately planned and administered capital improvement projects. The major impediment to the construction acquisition program is the relatively low approval level for projects. The present Board approval level is set at $100,000 and thus a large number of contracts of relatively low dollar value are delayed in order to obtain Board approval.

There was general satisfaction expressed regarding IFAS and its usage to create their purchasing requirements during interviews with various IFAS users within the schools and departments All respondents appeared to be pleased with the present operations of the system and the level of training that they had been provided.

The next steps for the District and ASD Purchasing, in particular, will require challenging the old paper extensive procurement methods and ring in a new age of using all resources available, especially technology. It is a seemingly overwhelming task, but certainly not impossible. Standing out from the total of 49 recommendations being proposed, there are six keys to success for the District and ASD Purchasing:

- ❖ Revising Board Policy Section 725 to provide more clarity, better procurement methods, stronger delegations of authority including small non-competitive purchases, future use of technology in the purchasing process, increased vendor relationships and use of better specifications and multi-year contracts. The overall goal of the revision is to allow ASD Purchasing the tools needed to support the District's essential purchasing requirement in support of the instructional and operational missions.

❖ Raising the thresholds for non-competitive solicitations and the number of quotes required for informal solicitations as part of the adjustment of procurement policies and procedures.

❖ Implementing a P-Card program to free up purchasing staff to concentrate on high value complex procurement.

❖ Delegating purchasing authority to the Director of Purchasing or designee so that delegation may be further made to the purchasing staff, as required.

❖ Optimizing the usage of all implements in the technology toolkit in the procurement process.

❖ Supporting and encouraging purchasing staff to seek professional certification.

During the engagement, the Project Team enjoyed good support and cooperation from all District offices contacted. Cooperation and support from Chad Stiteler, Controller, Lois Hartsfield, Executive Secretary and all District purchasing and non-purchasing staff within the District assisted in the success of this engagement.

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Section 1. Introduction

1.1 Procurement Management Review and Analysis Overview:

The Anchorage School District (District) contracted with the National Institute of Governmental Purchasing, Inc. (NIGP) to perform a management review and analysis of the District's current Board Policy Section 725 in order to determine whether the policy allows the District to properly manage the procurement function as well as providing recommendations to update current procurement procedures and Board Policy to implement Best Practices for a public education entity.

1.2 Procurement Management Review and Analysis Objectives:

Individual objectives of the management review and analysis were:

- ❖ Review Board Policy Section 725 Purchasing and Contracting.

- ❖ Provide best practices recommendations for Purchasing for the procurement of goods and services for a public education entity. This includes, but is not limited to, utilizing the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, sustainability, and other public procurement trends.

- ❖ Provide recommendations as to whether the District's decision to standardize items is an appropriate reason to exempt such purchases from competitive procurement, unless multiple vendors can supply the standardized product.

- ❖ Provide recommendations for a process to determine when standardization of items should be used on a district-wide scale, the duration of such a determination, and procedures for the periodic review of the standardization determination.

- ❖ Review Board Policy Section 725 and provide recommendations for policy changes that will allow the District to use current technology to implement public procurement best practices to meet the mission and goals of the District.

- ❖ Provide recommendations for future technology and e-commerce opportunities to enhance the District's procurement function.

Other requirements included:

❖ Provide the Project Administrator with a project plan and a schedule, which includes progress meetings to keep the Project Administrator apprised of review status.

❖ Discuss the findings, conclusions, recommendations, and implementation plans in the draft report with ASD Purchasing to clarify/identify any misconceptions, miscommunications, or errors before presenting the final reports to the Superintendent and the School Board Audit Committee.

❖ Provide a copy of the final report to the Project Administrator for review and written departmental response prior to presentation of the final report to the Superintendent and the School Board Audit Committee.

❖ Present the final report and an oral presentation to the Superintendent and the School Board Audit Committee.

Project Deliverables were:

A written draft and a final report containing an executive summary of findings and recommendations, cost/benefit analysis (if applicable), any recommendations expected to improve the overall efficiency and performance of the procurement function, and cost savings (if identified).

An implementation plan for the recommendations including but not limited to the following:

❖ Necessary legal actions
❖ Proposed organization restructuring
❖ Defined roles, accountability, and responsibilities
❖ Recommended School Board policy changes
❖ Necessary security measures
❖ Identification of major one-time costs

1.3 Purchasing Management Review and Analysis Methodology:

NIGP approaches each engagement in a very practical way. For this engagement, the work was

divided into four logical phases, Figure 2:

Phase 1, Preparation began with coordination between the Project Lead and the Client Project Administrator to obtain relevant documents for review, identify appropriate purchasing staff and individual customers and focus groups to interview and schedule meetings. Documents reviewed included Board Policy Section 725, applicable State and Federal legislation and procurement procedures.
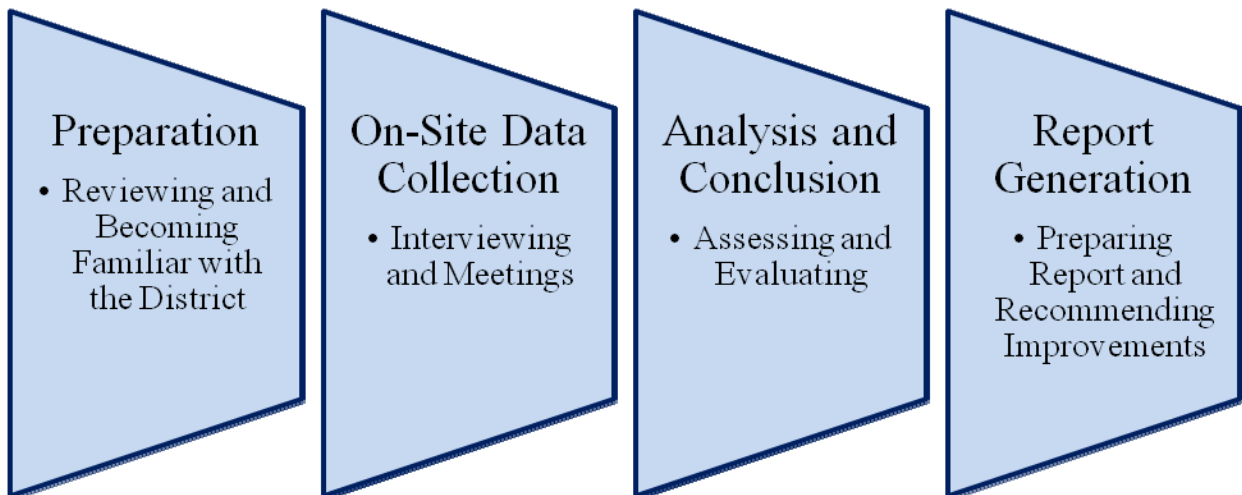
Figure 2 Project Methodology

Phase 2, On-Site Data Collection commenced with an initial meeting between the Project Administrator, School Board members, District Senior Management and the Project Team to discuss the scope of the project. Additionally, during Phase 2 interviews were conducted with procurement staff, District officials, instructional staff, internal customers and focus groups. The Project Team evaluated reports and purchasing data, methods of procurement and commodities that are candidates for standardization. Technology use was evaluated and discussions held with technology staff regarding the District's technology plan. Follow-up meetings and interviews with appropriate District purchasing staff and internal customers were conducted to verify the information and data collected.

The On-Site Data Collection Phase concluded on February 5, 2010 with a briefing of significant findings, preliminary recommendations and a review of the next steps to Mike Abbott, Assistant Superintendant for Support Services; Janet Stokesbary, Chief Finance Officer; Chad Stiteler, Controller and Pam Chenier, Director of Purchasing and Warehousing.

Phase 3, Analysis and Conclusions involved assessing and evaluating workload data collected and interview results to help define areas for improvement. Applicable best practices were identified that will be recommended in the report that, if implemented, will assist ASD to realize greater efficiency, effectiveness and economy.

Phase 4, Report Generation was comprised of preparing the draft report and recommending process improvements. The Project Team developed a comprehensive report that covered the findings of all analyses and made recommendations. Additionally, the Project Team addressed and incorporated all project deliverables in the RFP, including an executive summary that identified cost/benefit analysis (if determined from the reviews and evaluation) and cost savings that are recognized and applicable to the operation. The report identifies opportunities for improvement as short, medium and long term.

1.4 Project Team:

This project was conducted as part of the Consulting Program of the National Institute of Governmental Purchasing. The Project Team members were:

- ❖ William D. Brady, Jr., MA, CPPO, Lead Consultant
- ❖ Connie Hinson, MPA, CPPO, Senior Consultant and Program Manager
- ❖ Dean Tistadt, MPA, CPPO, Consultant

Mr. Brady served as the Director of Procurement Services at The Citadel, the Military College of South Carolina, in Charleston, South Carolina for fourteen years. He served as Interim Contracts and Procurement Services Director for the Charleston County School District for 8 months. Mr. Brady began his public purchasing career in 1983 after serving for 23 years with the United States Air Force. His duties included responsibilities for purchasing, supply management, fixed asset management and copier services. He has participated as a consultant in audits for counties, school districts, universities, cities and the

United Nations. Mr. Brady has extensive experience developing manuals and analyzing work processes. He has performed benchmarking in projects for the required 5 years and developed recommendations based upon best practices for streamlining and efficiencies.

Ms. Hinson has over 30 years of accomplishments and experience in local and state government that includes leadership roles in management and at the executive level of government. Her experience spans from Purchasing Division Director to Support Services Department Director, overseeing information technology, communications, public information and Web development, construction management, facilities, fleet, elections and board of registration. Ms. Hinson has extensive knowledge of the political process and organizational structure, behavior and dynamics. She has performed procurement reviews for cities and counties and serves as liaison for all NIGP projects. Recently she revised the Procurement Manual for DeKalb County, Georgia government that incorporated Oracle ERP processes into its policies and procedures.

Mr. Tistadt has extensive experience in facilities management, construction management and administration, and finance and budget, as well as procurement. He has served in various capacities in Fairfax County and the Fairfax Public Schools. At Fairfax Public Schools, he has progressed through the ranks to become Chief Operating Officer in the Department of Facilities and Transportation with responsibility for the school system in the absence of the Superintendent and Deputy Superintendent. Mr. Tistadt has conducted procurement reviews for the National Institute of Governmental Purchasing, Inc. in the District of Columbia, New York City and Richmond, Virginia. He has conducted reviews for the Council of Great City Schools for the Albuquerque Public Schools in New Mexico, Hillsborough Public Schools in Tampa, Florida, Dallas Public Schools and San Diego Public Schools.

Section 2. Purchasing Overview

2.1 Purchasing Environment:

Anchorage School District is one of the 100 largest school districts in the United States serving approximately 50,000 students at 100 schools. The District's procurement function is managed by the Purchasing Department (ASD Purchasing). The primary goal of ASD Purchasing is to provide timely and cost effective support to all schools and departments of the District, through the purchase of supplies, services, and equipment at the lowest cost consistent with quality, price, and timely delivery in accordance with Anchorage School Board Policy. Additionally, ASD Purchasing provides assistance and guidance to internal customers in the preparation of specifications and other acquisition requirements; obtains informal quotes; creates and publishes formal solicitations; and awards purchase orders and contracts to vendors. ASD Purchasing also provides follow-up actions on incomplete, late, or damaged shipments and maintains the files of all purchases. Essentially, ASD Purchasing procures all goods and services for the District with some exceptions. Utility payments, legal fees, petty cash accounts, Municipality of Anchorage fees and employee reimbursements are processed directly through the Accounting function. Purchase orders (POs) are established for these direct pay requisitions for payment purposes only. The District does not have a procurement card program.

The District maintains three separate warehouse functions. The central warehouse inventories items such as custodial supplies, xerographic paper, and forms all fall within the authority of the Director of Purchasing/Warehouse. The Student Nutrition department maintains an inventory of food service products and food. The Maintenance Department operates a Materials Control Room (MCR) inventory of building maintenance items.

Sungard BiTech Integrated Financial & Administrative Solution (IFAS) is the District's financial software system. The system is utilized district-wide for financial, budget, inventory and purchase orders. The District is in the process of upgrading IFAS to Sungard BiTech's 7i Web based platform. BiTech 7i utilizes a Web based platform and the District is expected to fully implement this upgrade at the start of the fiscal year, July 1, 2010.

2.1.1 Purchasing Organization:

The Purchasing/Warehouse Director (Director) reports to the Assistant Superintendent for

Support Services. The current ASD Purchasing organization was created in January 2010 and is divided into two main branches, Purchasing and Warehousing as depicted in Figure 3.
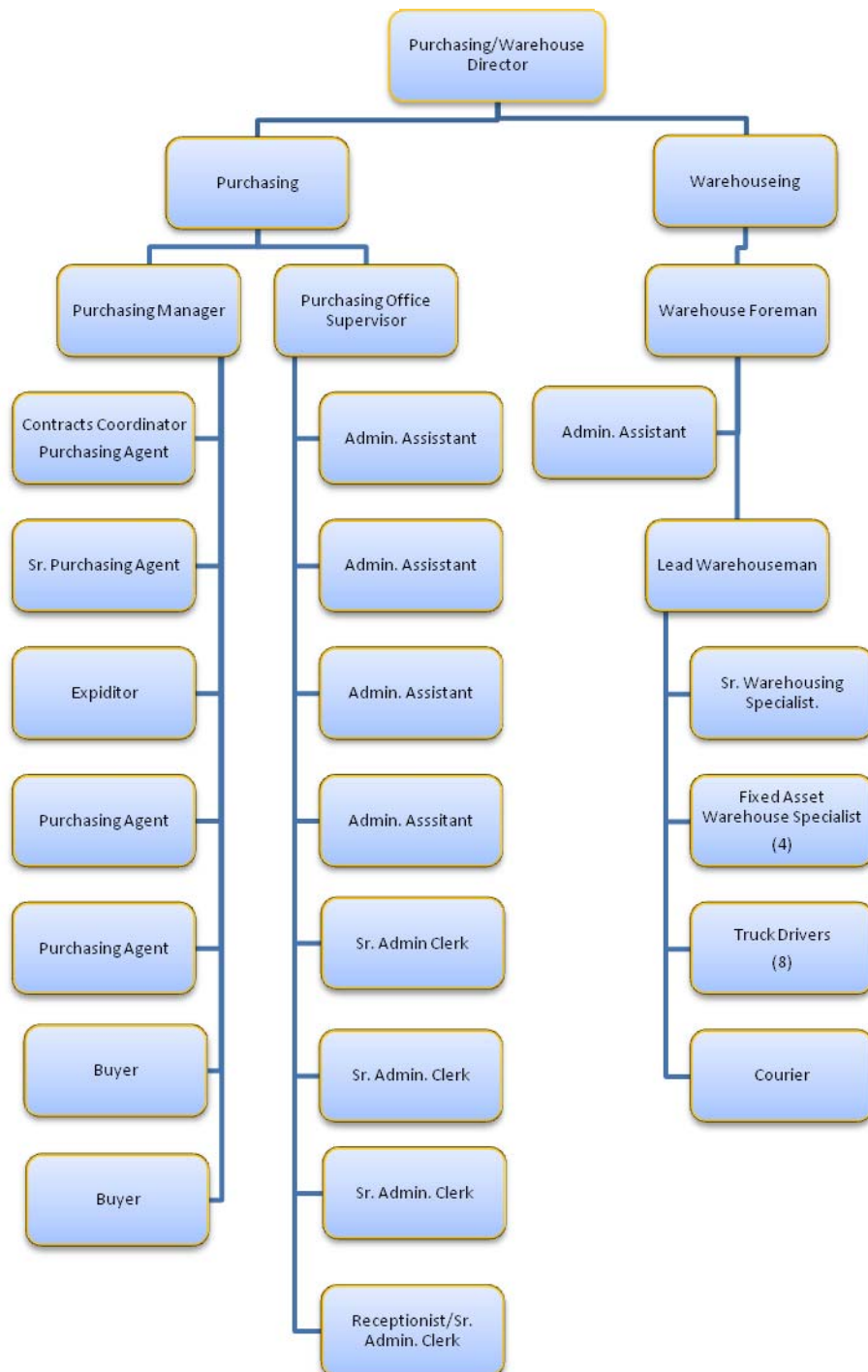
Figure 3 Purchasing Department Organization Structure

The organizational structure reveals that there are 35 full-time equivalent employees (FTEs) providing a full suite of purchasing services to the District. The Purchasing Manager position is a new position and had not been filled at the time of the on-site visit. The organizational structure was created predicated on the requirements of the present Section 725 and must be tested to ensure that it is sufficient to provide support to the internal and external customers. This structure may need to be revisited if Section 725 undergoes major changes.

2.1.2 Purchasing Authority:

ASD Purchasing receives its purchasing authority from the Anchorage School Board (Board) in the form of board policy. Specifically, Board Policy Section 725 (Section 725) Purchasing and Contracting is the policy that applies to District wide procurement functions. Section 725 has been in existence for approximately ten years, but has been updated is some areas during ensuing years. Section 725.2 Acquisition of Construction Projects and Architectural/ Engineering Design Services is one section that is a more recent addition to Section 725.

2.1.3 Purchasing Process:

The purchasing process is a paper intensive process. All purchases, except some direct pay items, require a PO to consummate the purchase. The only small purchase process currently in use include a $250 petty cash fund in each school or department and the use of Blanket Purchase Orders (BPOs) in some departments. Competition is required on all purchases above the $250 petty cash limit and in many situations competition is being obtained on purchases below the $250 limit. BPOs are being used to process other small orders and larger orders where competition has been attained and a contractual arrangement exist. Informal purchases below $50,000 require at least three (3) contractors, preferably in writing by use of a request for quotations or request for proposals.[1] Acquisitions above $50,000 are by formal competitive procedures except where exempted. Superintendent approval is required on purchases below $100,000 and Board approval is required on purchase above $100,000. Public advertising is required for formal competitive bidding.

Out of a total District budget of $737,518,990 in Fiscal Year 2009, the total value of approved POs was $149,874,640 and the total number of POs was 22,291 (Appendix C).[2] Purchasing staff have to review and approve each PO, regardless of whether it is a PO that is a release against an existing contractual arrangement where the pricing and terms and conditions have already been

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[1] Board Policy Section 725, Section 725.12f.
[2] Data provided by the District.

established and approved or a standard PO that is initiated through IFAS. Particularly for the purchase of goods or services against existing arrangements, this represents a considerable workload of limited value, as well as a delay in processing time. To compensate for the workload and provide timely processing, ASD Purchasing has turned to the use of established BPOs to allow buying from these contractual arrangements and other small purchases. However, small purchase requests under $2,000 are overloading the purchasing and administrative staff, as they attempt to fill all of the requests received. In many instances there is no means by which value is being added to these small purchases, therefore, they are primarily causing delays in the purchasing process.

The purchasing staff is detracted from strategically concentrating on the large, complex purchases by the sizable number of small value purchases under $2,000. Small purchases under $2,000 accounted for 84% of the transactions and 5.1% of the dollars expended in FY 2009 as depicted in Table 1. [3]

Purchase Order Transactions					
Award Value	**Total $ Value**	**% $ Value**	**Transactions**	**% Transactions**	**Avg. $ Value**
< $0 - $250	$1,031,849	.7	9,327	41.9	$111
≥ $250 and < $2,000	$6,798,919	4.5	9,395	42.1	$724
≥ $2,000 and < $5,000	$5,576,907	3.7	1,844	8.3	$3,024
≥ $5,000 and < $25,000	$12,581,356	8.4	1,238	5.6	$10,163
>$25,000 and <$50,000	$8,365,016	5.6	235	1.1	$35,595
≥ $50,000 and < $100,000	$7,657,895	5.1	112	0.5	$8,374
≥ $100,000 and <$250,000	$12,196,083	8.1	77	0.3	$158,391
≥ $250,000 and <$500,000	$11,616,023	7.8	32	0.1	$363,000
> $500,000	$84,050,592	56.1	31	0.1	$2,711,309
Total	$149,874,640	100	22,291	100	$6,724

Table 1 Purchase Order Transactions

The challenge is to reduce, if not eliminate, the hefty number of low-value POs flowing through ASD Purchasing. Many high performing public school systems have put sufficient contractual arrangements in place for their internal customers so that the purchasing departments do not handle any of the low-value POs. A major tool in allowing this to occur is that these systems

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[3] Data provided by the District.

implemented a Purchasing Card (P-Card) program that enabled these purchasing agencies to concentrate on the complex high dollar purchases where significant savings can be obtained.

Reducing the number of low-value transactions flowing through ASD Purchasing also represents potential resource savings. The Council of the Great City Schools, 2008 Performance Measurement and Benchmarking for K12 Operations indicates that the Cost per Purchase Order[4] ranged from a low of \$4.29 to a high of \$195.88 with a median cost equal to \$51.50. The District reported the Cost per Purchase Order at \$53.49[5]. This measure, along with other indicators, is important because it provides an opportunity for districts to assess the cost/benefit that might result from other means of procurement (e.g., P-Card program, ordering agreements, and leveraging the consolidating requirement). It is important to note that during the past fiscal year there were 18,722 transactions below \$2,000. Using the District's Cost per Purchase Order costs there is the potential for a savings of \$1,001,439 through transferring these low-value purchases to a P-Card or other means. The savings portrayed would only apply if all resources were transferred to a more efficient method. In reality this is rarely the case.

Recommendation 2.1: Consider raising thresholds for non-competitive solicitations and the number of quotes required for informal solicitations as part of the adjustment of procurement policies and procedures. (Short Term, Internal)

2.1.4 Purchasing Staff Purchasing Responsibilities:

The purchasing staff is assigned purchasing responsibilities by commodities where each purchasing staff member has buying responsibilities for a certain number of commodities. Public purchasing organizations tend to organize themselves to either purchase by commodities or by departments (internal customers). When a purchasing organization organizes itself so that commodities are assigned to buyers, the primary benefit to the organization is the expertise that the buyer develops in a particular commodity or several commodities. The result is that the internal customers have to deal with numerous members of the purchasing staff. There is not one point of contact for the internal customers and there is not one person to contact for vital answers to complex questions, Figure 4. When a procurement organization is organized so that departments are assigned to buyers, the primary benefit to the organization is that the buyer becomes intimately familiar with the needs and operation of those assigned departments, who are

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[4] Total procurement department expenditures divided by total district procurement transactions, including construction contracts.
[5] Accounts Payable cost are not included.

his or her customers. This enables the buyer to become an integral part of their team. If the department has a procurement question or problem, they have a specific person to contact for an answer, Figure 5. ASD Purchasing has assigned a primary purchasing agent to the Facilities Department with responsibilities for construction purchases and it appears to be allowing for good customer service.
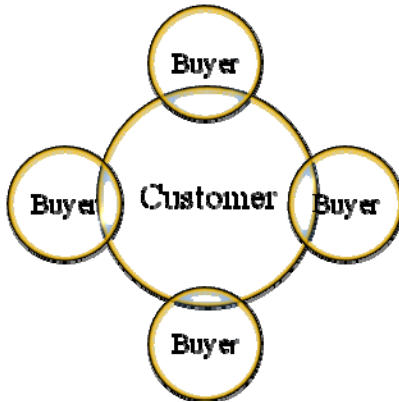
Figure 5 Buying by Commodity
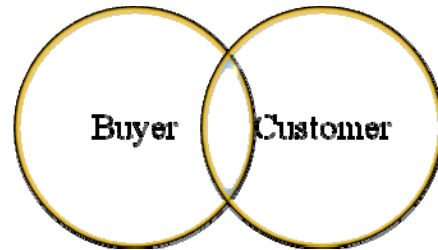
Figure 4 Buying by Departments

Recommendation 2.2: Continue to review the new organizational structure of ASD Purchasing as Section 725 evolves to determine if it provides the desired customer service levels with new policies. (Short Term, Internal)

2.1.5 Purchasing Staff Workload:
The number of transactions per professional purchasing staff member reflects a district's policies, resources, and approaches to purchasing. In order for procurement staff to maximize savings, ensure competition, minimize processing times, and exercise adequate compliance and internal controls, staff members must be strategic instead of transactional in their workload.[6] The 2008 Performance and Benchmarking for K12 Operations ranked respondents from high to low with the high equaling 48,586 transactions and the low equaling 529 transactions. The median was 2,822 transactions and half of the responding districts reporting workloads from 2,000 to 2,500 transactions. Anchorage School District responded to the survey and ranked itself at 3,108 transactions per professional, somewhat above the median for all respondents. Data provided by

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[6] Council of the Great City Schools, 2008 Performance Measurement and Benchmarking for K12 Operations, pg. 128.

the District indicates that the transactions per professional in FY 2009 averaged 2,035, bringing the District within the norms (2,000 to 2,500) of all respondents.

2.1.6 Purchasing Department Location:

ASD Purchasing is located at 4919 Van Buren Street which is over six miles away from the District's primary administrative offices at 5530 East Northern Lights Boulevard. The present location is not advantageous to conducting purchasing activities while providing good customer service to internal and external customers. ASD Purchasing should be located at the focal point of District administrative activities to be easily contacted and consulted when purchasing questions arise. This is particularly critical whenever major purchases are being planned to provide strategic purchasing guidelines and assistance. The present ASD Purchasing location does not lend itself to making ASD Purchasing a strategic player in the purchasing process.

Recommendation 2.3: Consider moving ASD Purchasing to the more strategically located District Administrative building. (Medium Term, Internal)

2.1.7 Reactive and Transactional Purchasing Process:

ASD Purchasing is reacting to the mounds of requisitions received and becomes buried under these mounds of paperwork. Much of the work revolves around small low value purchases and the perception is that a dollar has to be saved regardless of the value of the purchase, large or small. Under this perception the purchasing process becomes labor intensive and requires an enormous amount of effort to make things happen. Generally, customers sense the purchasing process as slow, cumbersome and a bottleneck to getting necessary goods and services. Often the necessary work of the schools and departments are slowed while they are waiting on a purchase order to be authorized so that they can obtain instructional school supplies or vehicle parts to keep the fleet going. Despite this characterization, the purchasing staff works diligently, doing their best to process transactions and execute agreements.

ASD Purchasing is burdened with the continuing, requirement to review and conduct extreme low-value, routine, repetitive, low-risk transactions. This work is not where a professional purchasing staff adds value. Value is added in complex contracting, analysis and strategic purchasing planning, and with the development of contracting tools so that schools and departments can easily and rapidly order routine requirements themselves.

ASD Purchasing , being a public procurement agency, has a strong and continuing focus on

formal contracting processes and does a good job; however, ASD Purchasing is being hampered by the small repetitive purchases and needs to transform itself into a more strategic purchasing organization. The major target areas for transformation and process improvement include both low-value, routine purchasing as well as the work of complex procurement.

The challenge on reducing routine, repetitive purchasing conducted by ASD Purchasing is to shift to a strategic process that will change the nature of purchasing work within ASD Purchasing from a reactive theme to a more proactive and strategic one. Figure 6 depicts the shift away from reacting to the low value small purchases overload to one of a more strategic nature where value can be added. This transformation signals the need for a new orientation and a suite of new skill sets for those ASD
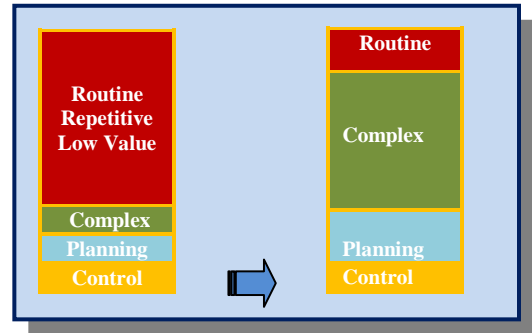
Figure 6 Purchasing Transformation

Purchasing staff now dedicated to routine, repetitive, largely low value procurements. It also provides a basis for aligning accountabilities and detailing the new toolkits and system functionalities necessary to support the transformation, both within ASD Purchasing and in the internal and external customer arenas.

2.2 Professional Development Training:

Mr. John Steiner, School Board President, asked the Project Team to comment on professional development training for the purchasing staff. Professional development training is the training that individuals receive to maintain their proficiency and prepare for professional certification. Effective training enables staff to become more proficient and specialized within the career ladder. Continuous training maintains an individual at the peak and presents those up-to-date changes in the profession. Ensuring that the purchasing staff has the right skills to perform their jobs successfully is critical to managing an efficient workforce.

Professions are built around bodies of knowledge that have been reduced to an accepted set of rules or principles and standards. In a profession those principles and standards are used consistently by all who practice the profession regardless of the time or place in which they may be practicing. Uniformity is especially important if the practitioner's work is to be recognized as a unique discipline that addresses a particular factual situation consistently.[7] The three leading

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[7] State and Local Government Procurement, National Association of State Procurement Officials, 2008, pg. 230.

factors in the professional development of a purchasing official are: education, training and certification.

Formal education is a fundamental ingredient in a purchasing professional's development. Public purchasing officials prepare many types of correspondence, develop project plans, and provide presentations to internal and external customers. They are generalists and must have a general knowledge of many fields, hence the importance of a formal education. Public purchasing professionals usually have a certain amount of formal education when they enter the profession and many tend to enhance their formal education as time progresses.

Professional certification is a symbol to internal and external customers that the certified individual has reached a zenith in his or her chosen profession and possesses a high level of education and experience. Certification ensures that the purchasing staff is well trained and maintains a high-level of competency. A properly trained and certified Purchasing Agent or Buyer has a direct impact on the quality of service provided to internal and external customers. The number of purchasing staff with certification is an important indicator of a district's purchasing staff's technical knowledge which directly affects processing time, negotiation, procedural controls, and strategies applied to maximizing cost savings.[8]

The survey to purchasing staff was administered to assess their experience, education and training.[9] Six replies were received and the results are indicated in Table 2.

Category	Number
Education	
High School	3
Associate Degree	1
Under Graduate Degree	1
Graduate Degree	2
Experience	
Average Years	10.3
Certification	
CPPB	0
CPPO	0
CPM	0

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[8] Ibid. Pg.80.
[9] Appendix D. Staff Qualifications Questionnaire.

Table 2. Education, Certification and Experience

The Council of the Great City Schools, Performance Measurement and Benchmarking for K12 Operations found that Certified Procurement Staff, the number of professional staff and supervisors with certification divided by the number of professional procurement staff and supervisors ranged from a low of 0.0% to a high of 100.0% with a median of 17.8%. With no one certified within ASD Purchasing, it is, it is apparent that the purchasing staff is at the bottom of this range.

The ASD Purchasing staff is obtaining professional development training. During FY 2009, the average annual training hours per professional purchasing staff member was 26.4 hours and ASD Purchasing had an annual training budget of $3,120.[10] A comparison of the K-12 schools, NIGP membership and ASD Purchasing is contained in Table 3. The table indicates that the training hours per purchasing staff member is high compared to other school districts, but the training budget per staff member is low. When compared to the entire NIGP membership the hours and budget are both low.

The primary method of professional training used by the District has been through Webinars which have a lower cost factor than classroom courses. Webinars are generally one-way conversations with an audience that is listening to audio over the phone and watching presentations over the Web. They might also be listening to audio over the Web, but still advocate the "one-to-many" model where a presenter (or presenters) conducts the Webinar for an audience that could include hundreds of attendees. [11] Webinars are an excellent medium for training and are used by many schools, colleges and professional organizations. NIGP has a Webinar branch under its Professional Development Program. As good as Webinars are they are normally of short duration with limited feedback and do not allow for networking. Professional development training conducted in the classroom over one to three days has the advantage that the student can personally interact with the instructor and can establish networking contacts with many other public purchasing professionals. The networking is often as valuable as the training class itself.

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[10] Appendix C. Benchmarking Survey.
[11] The Pros and Cons of Audio Conferences and Webinars, http://www.mequoda.com/articles/new-media-trends/the-pros-and-cons-of-audio-conferences-webinars/.

	NIGP-Schools (K-12)[12]	NIGP-Local Govt.[13]	ASD[14]
	Mean	Mean	Mean
Training Hours per Purchasing Staff	21	33	26
Training Budget per Purchasing Staff	$718	$937	$390
Percent of Purchasing Budget Spent on Training	1.05%	1.27%	0.20%

Table 2 Training Hours and Budget

Classroom training is typically more expensive than Webinar because there is the cost of the course plus the travel costs to attend the training in a location away from Anchorage.   An alternative is to bring the instructor to Anchorage and make the course available not only to District purchasing staff, but other public purchasing individuals from around Alaska. We make note that NIGP has an On-Site Training program where they will bring the training to you.[15]

Recommendation 2.4: Develop a Professional Development Plan for each purchasing staff position including administrative staff. (Short Term, Internal)

Recommendation 2.5: Support and encourage purchasing staff to seek professional certification. (Short Term, Internal)

Recommendation 2.6: Coordinate with other public purchasing organizations, municipalities and school districts, to bring professional development courses to Alaska to save travel funds and provide necessary training. (Medium Term, Internal/External)

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[12] Data Source: National Institute of Governmental Purchasing, Inc. 2007 Benchmarking Study (Unpublished). Data Analysis: Procurement Consulting Services, Inc.

[13] Ibid.

[14] Data provided by the District.

[15] On-Site Training, http://www.nigp.org/eweb/StartPage.aspx?Site=NIGP&webcode=pd-ep-os-onsitetrain

2.3 Consolidated Purchasing Overview Recommendations:

The following recommendations are presented to assist the District in streamlining its purchasing process and provide professional development training to its purchasing staff.

Recommendation 2.1: Consider raising thresholds for non-competitive solicitations and the number of quotes required for informal solicitations as part of the adjustment of procurement policies and procedures. (Short Term, Internal)

Recommendation 2.2: Continue to review the new organizational structure as Section 725 evolves to determine if it provides the desired customer service levels with new policies. (Short Term, Internal)

Recommendation 2.3: Consider moving ASD Purchasing to the more strategically located District Administrative building. (Medium Term, Internal)

Recommendation 2.4: Develop a Professional Development Plan for each purchasing staff position including administrative staff. (Short Term, Internal)

Recommendation 2.5: Support and encourage purchasing staff to seek professional certification. (Short Term, Internal)

Recommendation 2.6: Coordinate with other public purchasing organizations, municipalities and school districts, to bring professional development courses to Alaska to save travel funds and provide necessary training. (Medium Term, Internal/External)

Section 3. Board Policy Section 725 Review

3.1 Policies, Regulations and Procedures:

Policy: it is a crucial school board role in our system of education governance. Like Congress, state legislatures, and city or county councils, school boards establish the direction and structure of their school districts by adopting policies through the authority granted by state legislatures. School board policies have the force of law equal to statutes or ordinances. Policies establish directions for the district; they set the goals, assign authority, and establish controls that make school governance and management possible. Policies are the means by which educators are accountable to the public.[16]

The District is seeking to review its Board Policy Section 725 and obtain recommendations for policy changes that will allow the District to use current technology to implement public procurement best practices to meet the mission and goals of the District. A sound, well organized procurement program rests on a pedestal of procurement policies, regulations and procedures, Figure 7. Procurement policies, regulations and procedures are the basis of maintaining a procurement program that is fully transparent, so that all stakeholders having an interest in the program are aware of the approach for spending taxpayer funds and the processes involved in all types of procurements.

Figure 7 Public Purchasing Foundations
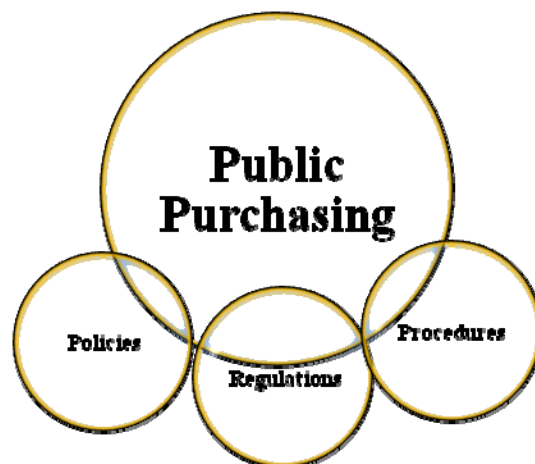
There are typically three levels of policies and procedures used in a public purchasing

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[16] National School Boards Association,
 http://www.nsba.org/MainMenu/SchoolBoardPolicies.aspx

organization. The pinnacle of procurement policies and subsequent regulations and procedures is the policy levied by the controlling board of an organization. It is here that the governing board affirms its policy toward procurement for the organization. The next level, procurement regulations are promulgated, depending on who is delegated purchasing authority in the governing policy. If the delegation is to a Chief Executive Officer level employee, purchasing regulations are normally developed.   If the delegation is to the Chief Purchasing Official, purchasing regulations are bypassed in lieu of purchasing procedures. Figure 8 depicts the three levels of policies, regulations and procedures. Notice also that procedures are developed for the customer community, internal and external.

Purchasing regulations are written to a much finer level of detail than board policy, intended not
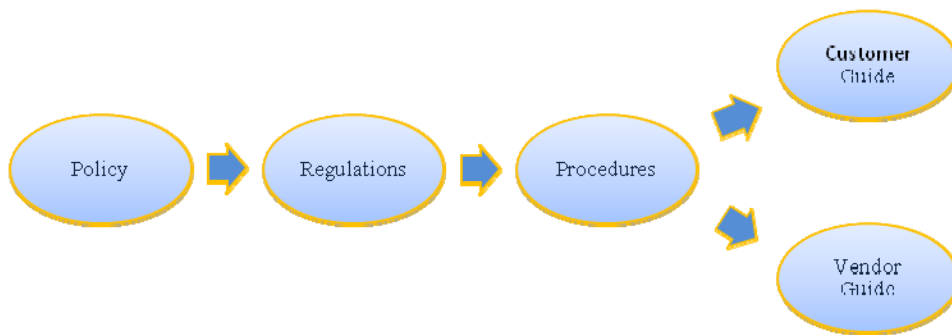
Figure 8 Policies, Regulations and Procedures

only to provide guidance, but also to set out process requirements and the steps for each purchasing action. The use of regulations to implement the requirements of the board policy allows for changes and modifications and provides a means for expeditious improvements and upgrading in purchasing practices. Purchasing regulations may be by-passed, Figure 9, and purchasing procedures established in their place. In that case the purchasing procedures take over the role of the purchasing regulations and are written in detail to provide the necessary guidance to the purchasing staff. A purchasing procedures manual establishes and describes internal procedures.   The manual should be written for use by all personnel in the central

procurement office. Additional procedures manuals are normally published for the Customers and the Vendors doing business with the purchasing organization.
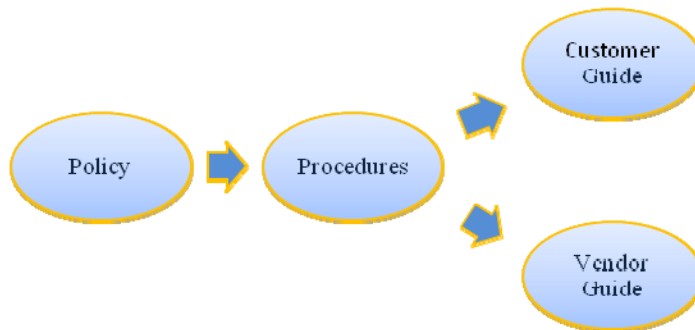
Figure 9 Policies and Procedures

3.2 Board Policy Section 725 Analysis:

The Project Team, as part of the Review, assessed Section 725 to ensure consistency with current practices and procurement best practices. The overall objective was to identify what policies needed to be revamped based upon efficiency recommendations, current practices and customer needs. Additionally, the Project Team studied process and policy constraints that could impede efficiency and cost effectiveness.

The review of Section 725 caused the Project Team to conclude that it is ambiguous in its use of terms such as "Administration" and "Purchasing Department." Although "Purchasing Department" is easily discernable, "Administration" is not. There are many administrations within the District. It is fair to say that the administration referred to is the Superintendent. Superintendent is used on numerous occasions within Section 725 and it best be served by being consistent throughout. Section 725.131e limits purchases from State of Alaska or Municipality of Anchorage, or Federal GSA contracts to local vendors, a restrictive practice. Granted many public organizations have "Buy Local" policies but they are usually not totally restrictive as the case here and allow for competition between all vendors but with a preference for local vendors. Section 725c states "(In this regard the use of "Brand name or better" specification is specifically

authorized)." It is possible that the policy writers confused this specification with the "Brand name or equal" specification which is a type of specification commonly used in public purchasing.

The review of Section 725.2 Acquisition of Construction Projects and Architectural Engineering Design Services reveal that those policies are adequately configured and serving the Facilities Department's needs. The Facilities Department is creatively and effectively using all of the policy tools in their toolkit to provide the District with adequately planned and administered capital improvement projects. The major impediment to the construction acquisition program is the relatively low approval level for projects. The present Board approval level is set at $100,000 and thus a large number of contracts of relatively low dollar value are delayed in order to obtain Board approval.

To continue the review of Section 725 the findings will be addressed individually and recommendations provided to correct each situation.

3.2.1 Delegation of Purchasing Authority:

Delegation of purchasing authority is unclear in Section 725. The Purchasing Department's function is given and it is further tasked with a number of purchasing related undertakings; however, neither the Purchasing Department nor Director of Purchasing is specifically delegated purchasing authority. The Superintendent is delegated oversight of a number of purchasing related undertakings, but is not specifically delegated purchasing authority for the District. The Superintendent is delegated the approval authority for construction projects less than $100,000, but Section 725 is not specific on approval of purchases of goods and services less than $100,000. The Superintendent is approving all purchases, goods, services and construction, under $100,000 and all purchases forwarded to the Board for approval.

Section 725 needs to be absolutely clear as to who is delegated purchasing authority for the District. The structure and authority of an effective procurement program is rooted in the law that grants authority of the procurement official to act. The procurement law need not specify every procurement activity in order to authorize it. The best procurement laws are those that offer a clear statement of legislative intent and a high-level description of the procurement structure and processes.[17] The following recommendation is provided to clarify procurement delegation authority:

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[17] State and Local Government Procurement, National Association of State Procurement Officials, 2008, pg. 17.

Recommendation 3.1: Specifically delegate purchasing authority to the Director of Purchasing or designee so that delegation may be further made to the purchasing staff, as required. (Short Term, Internal)

3.2.2 Definitions:

The use of definitions is an excellent tool to provide clarity to a policy. By using definitions the policy writer is able to explicitly state the meaning intended for the terms used in the policy. Terms used that are not adequately defined are the cause of much contention and can possibly lead to non-compliance with the policy because of misunderstandings. The following definitions were extracted from the Municipality of Anchorage Charter Code[18] and describe the level of clarity that can be obtained with simple definitions:

❖ *Professional service* means those advisory, consulting, architectural, engineering, research or developmental services which involve the exercise of discretion and independent judgment together with an advanced or specialized knowledge, expertise or training gained by formal studies or experience.

❖ *Services* mean those services of a nonprofessional nature which are described within contract specifications and which are needed or desired by the municipality.

❖ *Site of construction* means the general physical location of any building, highway, or other change or improvement to real property which is undergoing construction, rehabilitation, alteration, conversion, extension, demolition, or repair and any temporary location or facility at which a contractor, subcontractor, or other participating party meets a demand or performs a function relating to the contract or subcontract.

Definitions will assist all concerned parties using Section 725 to understand the meanings of the terms used in the section. The following recommendation is presented to allow for better clarity in the policy:

Recommendation 3.2: Include definitions at the beginning of each section to clarify the terms used within the section. (Short Term, Internal)

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[18] Anchorage Municipal Charter Code, Title 7 Purchasing and Contracting, Chapter 7.10.010 Definitions.

3.2.3 Exemptions:

Exemptions of certain goods and services from the competitive practices of purchasing policy are a standard accepted practice in public purchasing. However, policy writers are cautioned to carefully select the goods and services selected for exemption. Exempted items should be those items where no value can be added in the competitive purchasing process or are special interest items specifically authorized by the governing board on a one time basis with justification. Commodities such as textbooks, films, periodicals and other educational materials normally available from a single source are a good candidate for exemption. However, commodities obtainable from many sources, such as automobiles, are not good candidates for exemption to the policy's competitive practices.

Section 725.131b provides an exemption for "Proprietary (sole source) items for which no competition exists." Sole source procurement is a procurement method and should not be considered for exempt status. In this respect, sole source procurement is very similar to emergency procurement, which is a procurement method. Those wanting to use the sole source procurement method should be required to provide justification as to why no other good or service will fulfill their needs and the justification approved by a delegated approving official. Normally, a report is submitted to the governing board on a regular basis such as quarterly on an informational memorandum.

Section 725.131e provides an exemption for "Goods or services available from local vendors on State of Alaska or Municipality of Anchorage or Federal GSA contracts." This exemption is being interpreted that only cooperative agreements (contracts) from local vendors can be used by the District and is causing the District to lose valuable purchasing power. This exemption should be repealed and a section developed on the use of cooperative agreements that allow for the use of any cooperative agreement, whether local or national. However, policy writers are cautioned to ensure that only properly executed cooperative agreements with cooperative agreement language should be allowed for use. Piggyback cooperatives, a form of intergovernmental cooperative purchasing in which an entity will be extended the pricing and terms of a contract entered into by a larger entity[19], are an excellent source of saving funds and allowing the smaller entity to use economies of scale.

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[19] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 90.

There are additional exemptions that may be considered. The following is a list of possible additions to the list of exemptions:

- ❖ Works of art for public display
- ❖ Published maps and technical pamphlets
- ❖ Regulated public utilities where service and rates are not negotiable
- ❖ Conference, seminar and training fees
- ❖ Visiting speakers, professors and performing artists
- ❖ Memberships, dues and fees for conference and seminars associated or similar expenses
- ❖ Training courses and materials provided by accredited institutes of learning
- ❖ Employment contracts

The following recommendations are provided to improve the exemption policy:

Recommendation 3.3: Repeal the exemption for sole source procurements and develop a separate procurement method for sole source procurements to include justification, approval and quarterly reporting to the Board. (Short Term, Internal)

Recommendation 3.4: Repeal the exemption for cooperative agreements from local vendors only and develop an expended cooperative agreement procurement method. (Short Term, Internal)

Recommendation 3.5: Consider exemptions for additional commodities such as works of art, published maps and technical pamphlets, regulated public utilities where service and rates are not negotiable, conference, seminar and training fees, visiting speakers, professors and performing artists, memberships, dues and fees for conference and seminars associated or similar expenses, training courses and materials provided by accredited institutes of learning and employments contracts. (Short Term, Internal)

3.2.4 Specifications:
Section 725 lacks a policy on the types of specifications authorized for use by ASD Purchasing. Section 725c the use of "Brand name or better;" however, as previously mentioned, is not a normal specification used in public purchasing. Specifications are a valuable tool and must be concise, clear and non-restrictive. A specification should always provide a description of the minimum requirements to avoid paying for features that are not needed. ASD Purchasing should

obtain advice and assistance from the personnel of the schools and departments in the development of specifications, whether through user committees or through the advisory committees, and may delegate in writing to a school or department the authority to prepare and utilize its own specifications. The requirements regarding the non-restrictiveness of specifications should apply to each solicitation and include, among other things, all specifications prepared by architects, engineers, designers, draftsmen, and land surveyors for state contracts.

> **Specification:** A precise description of the physical or functional characteristics of a product, good, or construction item. A description of goods as opposed to a description of services. A description of what the purchaser seeks to buy and that a bidder must be responsive to in order to be considered for award of a contract. Specifications generally fall under the following categories: design, performance, combination (design and performance), brand name or approved equal, qualified products list and samples. May also be known as purchasing description.
> **Source:** NIGP Public Procurement Dictionary of Terms.

Specifications play an important role in the purchasing process and their importance should not be over looked or ignored. They determine the responsiveness of the bidder and assist in the award process to the lowest responsive and responsible bidder. The following recommendations are provided to improve the specification process:

Recommendation 3.6: Include a separate policy section for specifications and their usage in the purchasing process. (Short Term, Internal)

Recommendation 3.7: Repeal the requirement to use "Brand name or better" specifications. (Short Term, Internal)

Recommendation 3.8: Include Board policy on the usage of standard specifications. (Short Term, Internal)

3.2.5 Procurement Methods:
Procurement methods are the methods by which goods, services, or material may be acquired by public purchasers. The methods may include blanket orders, emergency purchases, standing orders, purchase orders, transfers, competitive bidding, competitive negotiation, intergovernmental cooperative agreements, small purchase contracts via a credit card, etc.[20] The definition omits sole source procurement, a situation created due to the inability to obtain

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[20] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 94.

competition[21], which is typically considered a procurement method although one without competition.

The only procurement methods included in Section 725 are the use of competitive bids, request for proposals, quotations, emergency contracts and petty cash accounts. However there is little information on when and how to use these methods except that they will be used for purchases under and over $50,000. There is also little in the way of definitions for either procurement method except emergency contracts and petty cash funds. Petty cash funds are antiquated and outdated; however, they remain in use where there is no other method of acquiring small amounts of goods and services without having to process a purchase orders. P-Cards have driven most petty cash funds into extinction.

Small Non-Competitive Purchases:

Small non-competitive purchases are those where there is no value to be added to the purchase by the purchasing organization except to get the purchase processed and the goods or services delivered to the customer. These purchases tend to clog up the purchasing pipeline unless there is an acceptable process to allow them to be easily processed with minimum effort. In FY 2009, ASD Purchasing processed 18,722 purchases under $2,000 with an

> **Small Purchase:** Any procurement not exceeding a given upper monetary limit, as established by law, regulation, executive order, etc. Usually applies to purchases of small dollar amounts under certain monetary threshold.
> **Source:** NIGP Public Procurement Dictionary of Terms.

average value of $418[22]. Those purchases are candidates to become small non-competitive purchases. The challenge is to provide a user friendly, cost effective, flexible system to allow for those purchases to be finalized, supposedly at the customer level. The P-Card, to be discussed at greater length in Section 4, is the method of choice used by most public purchasing organizations to process these small non-competitive purchases.

The only small non-competitive purchasing program instituted by Section 725 is the use of a $250 petty fund established in each school or department. Petty cash funds are prone to misuse and fraud and require extensive management. Additionally, they are obsolete for purchasing the needs of the schools and departments in the 21th Century. They should be replaced with a more efficient and effective program to satisfy the needs of the schools and departments. The

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[21] Ibid. pg. 112.
[22] Data provided by the District.

following recommendations are provided to enhance the small non-competitive purchasing policy:

Recommendation 3.9: Establish the small non-competitive purchase threshold at $2,000. (Short Term, Internal)

Recommendation 3.10: Include usage of P-Cards for small non-competitive purchases under $2,000.   (Short Term, Internal)

Competitive Sealed Bids:
Section 725.11c requires the use of competitive bidding and/or the use of competitive requests for proposals for purchases of $50,000 and above. These two methods are very different is their application and the policy does not indicate which method is the preferred method.   The commentary to Section 3-203(1) of the Model Procurement Code[23] explains the differences between the two methods as:[24]

> *Under competitive bidding, judgmental factors may be used only to determine if the supply, service, or constriction item bid meets the purchase description.   Under competitive sealed proposals, judgmental factors may be used to determine not only if the items being offered meet the purchase description but may also be used to evaluate the relative merits of competing proposals. The effect of this different use of judgmental evaluation factors is that under competitive sealed bidding, once the judgmental evaluation is completed, award is made on a purely objective basis to the lowest responsive and responsible bidder. Under competitive sealed proposals, the quality of competing products or services may be compared and trade-offs made between price and quality of the products or services offered (all as set forth in the solicitation). Award under competitive sealed proposals is then made to the responsible offeror whose proposal is most advantageous to the [State].*

> *Competitive sealed bidding and competitive sealed proposals also differ in that, under competitive sealed bidding, no change in bids is allowed once they have been opened,*

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[23] The Model Procurement Code for State and Local Governments was originally developed by the American Bar Association in 1979 and updated in 2000. Since 1979, the Code has been adopted in full by sixteen (16) states, in part, by several more and by thousands of local jurisdictions across the United States. Although, it is a model code for state and local governments, certain of its percepts are generally embraced by public procurement practitioners elsewhere and it is used here as a reference and not necessarily as a recommended procurement code to replicate.
[24] The 2000 Model Procurement Code for State and Local Governments, American Bar Association, 2000, pg. 26.

except for correction of errors in limited circumstances. The competitive sealed proposal, on the other hand, permits discussions after proposals have been opened to allow clarification and changes in proposals provided that adequate precautions are taken to treat each offeror fairly and to ensure that information gleaned from competing proposals is not disclosed to other offerors.

The NIGP Public Procurement Dictionary of Terms[25] list the definition of competitive sealed bidding as:

Preferred method for acquiring goods, services and construction for public use in which award is made to the lowest responsive and responsible bidder, based solely on the response to the criteria set forth in the IFB; does not include discussions or negotiations with bidders

The competitive sealed bid is the preferred method of purchasing in the public sector because offers can be easily evaluated and determined as responsive and responsible, therefore, leaving only the matter of cost to determine the awardee. In competitive sealed bidding the specifications become all important to the success of a bid. If the specifications are ambiguous, unclear, do not identify the salient features of the goods or services required, or not concise, the bidding process will fail.

The following recommendation is provide to clarify the role of competitive sealed bidding in the purchasing process:

Recommendation 3.11: Establish competitive sealed bidding as the preferred competitive purchasing method. (Short Term, Internal)

Competitive Sealed Proposals:
The competitive sealed proposal method of procurement is also referred to as competitive negotiation and is characterized by the ability to conduct discussions and negotiations with responsible offerors who submit responsive proposals.[26] This method of procurement is used whenever there is a known situation involving goods, services or construction that needs resolution, however, the solution to the situation is unknown and vendors are solicited to provide

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[25] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 25.
[26] Ibid. pg. 25.

proposals with suggested solutions. To select the awardee a set of evaluation criteria is established to judge the proposals, money being one of the factors, but not the most important criteria. The objective is to select the most advantageous proposal to solve the problem and not necessarily the proposal with the lowest cost. Competitive sealed proposals should only be used in situations where competitive bidding is not practical. Competitive bidding is always the preferred procurement method.

The following recommendation is offered to improve the competitive seals proposal process:

Recommendation 3.12: Require justification to use the competitive sealed proposal purchasing method. Justification should be in writing and maintained in the bid file. (Short Term, Internal)

Multi-Step Sealed Bidding:
Section 725 is mute on the subject of the multi-step sealed bidding methods, a combination of competitive procedures designed to obtain benefits of sealed bidding when adequate specifications are not available. It may also be applied to a request for proposal negotiated procurement.[27] This method developed over time as it was recognized that additional competitive bidding methods were needed. The multi-step sealed bidding method is a beneficial method in the procurement methods toolkit. It combines the features of the competitive bid and the proposal and allows for discussions and negotiations, a feature that can result is better goods and services and lower prices.

> Step one consists of a request for technical proposals, evaluation and discussion without pricing, and the selection of bidders whose proposals are considered most acceptable; step two consists of the admission of sealed priced bids by those who submitted acceptable technical proposals in step one.
> **Source:** NIGP Public Procurement Dictionary of Terms.

The following recommendation is suggested to allow for multi-step bidding:

Recommendation 3.13: Establish Multi-Step Sealed Bidding as a purchasing method. (Short Term, Internal)

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[27] Ibid. pg.123.

Sole Source Procurement:

Section 725.131b provides an exemption for "Proprietary (sole source) items for which no competition exists." Sole source procurement is a non-competitive type of procurement. The term "sole source" refers to the source, not the product or service.[28] Sole source procurement is a procurement method and should not be considered for exempt status. In this respect, sole source procurement is very similar to emergency procurement which is a procurement method. Those wanting to use the sole source procurement method should be required to provide justification as to why no other good or service will fulfill their needs and the justification approved by a delegated approving official. Normally, a report is submitted to the governing board on a regular basis such as quarterly on an informational memorandum.

Some examples of sole source procurements are:[29]

- ❖ Equipment for which there is no comparable competitive product, for example, a one-of-a-kind oscilloscope that is available from only one vendor.
- ❖ A component or replacement part to which there is no commercially available substitute, and which can be obtained only directly from the manufacture.
- ❖ An item where compatibility is the overriding consideration, such as computer operating software enhancements for an existing system.
- ❖ A used item, for example, a television transmitter tower, that becomes immediately available and is subject to prior sale.

Sole source procurement is a purchasing method. The following recommendation is tendered to allow sole source purchasing as a purchasing method:

Recommendation 3.13: Establish sole source procurements as a purchasing method. (Short Term, Internal)

Emergency Procurement:

Section 725.15 Emergency Contracts gives the reason for an emergency procurement as when *an emergency for personal property or services does not allow sufficient time to engage in normal procurement procedures the Superintendent or his/her designee may enter into a contract without following the procedures of 725.11 and 725.12*. Essentially the reason for an emergency

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[28] State and Local Government Procurement, National Association of State Procurement Officials, 2008, pg. 119.

[29] Ibid. pg. 119

is limited to only those situations where time is a factor and disregards the normal elements required for emergency procurements. Emergency procurements are another example where competition may be impractical or limited. However, an emergency procurement should not be required where poor planning was evident and caused the emergency situation.

An "emergency" for procurement purposes is an unexpected and pressing situation requiring swift procurement action outside of normal procedures. In addition, to threats to life and property, an emergency may include circumstances such as an unexpected delay in delivery of an unanticipated volume of work. It never includes a situation created by poor planning on the part of user agencies.[30]

It is a best practice for rules and procedures to address situations where prior approval of the chief procurement officer isn't feasible, such as on weekends. In those cases, the rules and procedures should permit user agencies to conduct emergency procurements and require them to report the circumstances to the chief procurement office within a short period of time to obtain his or her approval after-the-fact.[31]
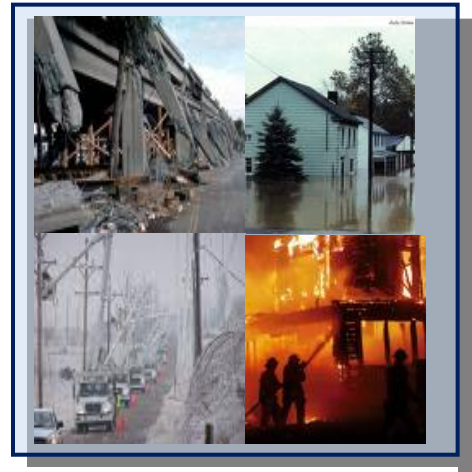
Figure 10 Emergency Situations

Emergency purchases are a vital purchasing method and must be used to satisfy valid emergency situations. The following recommendation is provide to clarify the situations where emergency purchases are applicable:

Recommendation 3.14: Rewrite Section 725.15 to include emergency situations that create a threat to public health, welfare, safety, or property, such as may arise by reason of floods, epidemics; riots, equipment failures, or such reasons as may be proclaimed by the Superintendent. (Short Term, Internal)

3.2.6 Public Advertising:

One tried-and-true method for notifying vendors of the opportunity to compete used to be the print newspaper advertisement. Today, a procurement officer whose jurisdiction requires

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[30] Ibid. pg. 120.
[31] Ibid. pg. 120.

publication in a newspaper probably has the option of placing the ad in either a print or on-line version of the periodical. While many procurement officers today would probably agree that advertisements aren't the most effective kind of notice for the dollars expended, there are jurisdictions that still require them.[32]

Sections 725.11c and 725.21b require that public advertising be used to announce formal bids and proposals to encourage full and open competition when practicable. In today's world of the Internet and the Web this requirement is somewhat outdated. It is still practiced by many public purchasing agencies, however, the move is to not require advertising in newspapers and to use the purchasing agency's Web site to advertise the existence of bidding opportunities. There may be situations where advertising in a newspaper or trade journal will be beneficial. In those situations printed advertising should be allowed. ASD Purchasing has a budget item of $4,000 for advertising bidding opportunities and expends the total amount each year for advertising. Additionally, ASD Purchasing advertises their bidding opportunities on their Web site. The advertising budget could be greatly reduced by advertising bidding opportunities on the ASD Purchasing Web site only.

The Internet and Web are overshadowing newsprint. The use of newsprint to advertise bidding opportunities is no longer a good procurement best practice. The following recommendation is to streamline the advertising of bidding opportunities:

Recommendation 3.15: Require that the primary bidding opportunities advertising method be ASD Purchasing's Web site and an alternate method be by print newspaper or trade journals when the situations calls for additional advertising coverage. (Short Term, Internal)

3.2.7 Technology:
Governments and suppliers are increasingly utilizing electronic procurement tools in order to leverage considerable process and resource opportunities. Information management, the collection of information from one or more sources and the distribution to one or more audiences,[33] and technology, especially the use of computer hardware and software, go hand-in-hand in a public procurement organization. Additionally, the communicative powers of the Internet and Intranet have revolutionized the procurement organization's ability to interact with its customer base both internal and external. Conversely, the lack of technology becomes an inhibitor to improving the purchasing processes.

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[32] Ibid. Pg. 92.
[33] http://en.wikipedia.org/wiki/Information_management

Section 725 is mute on the use and future use of technology in the purchasing process. The Project Team recommends adopting policies that specifically authorize the use of electronic commerce. It is suggested that Section 725 allow the following technology/e-commerce subject matter:

> **Authorization for the Use of Electronic Transactions**. The district may, to the fullest extent permitted by law, conduct procurement transactions by electronic means or in electronic form including, but not limited to, the advertising and receipt of competitive sealed bids, competitive sealed proposals and informal quotations. Procurement procedures shall be adopted regarding identification, security, confidentiality and the utilization of digital signatures.

> **Electronic Posting.** Procurement procedures shall provide for the electronic posting of solicitations, award notices, determinations and other matters related to procurement on a centralized Internet website designated by the district for this purpose.

> **"Signature** means any symbol or method that a person causes to be attached to or logically associated with a record with the intent to sign such record."

The following recommendation is provided to prepare Section 725 for the future use of technology:

Recommendation 3.16: Develop technology policy that allow for Authorizations for use of Electronic Transactions, Electronic Posting and Electronic Signatures. (Short Term, Internal)

3.2.8 Multi-Year Contracts:

Multi-Year Contracts are a contract that extends for longer than one year.[34] This type of contracting is an important purchasing tool to use to expand the volume buying attributes of economies of scale. Additionally, vendors receiving a multi-year contract are more inclined to offer better pricing than if receiving only a one year contract. Multi-year contracting is used in the strategic sourcing methodology to establish long term agreements with vendors whereby partnerships may form between the private and public sector.

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[34] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 79.

Multi-year contracting may conflict with the public sector's budgeting authority to budget for one fiscal year only and the availability of funds to extend across several fiscal years. This shortcoming can be overcome by including an annual funding clause in the contract that allows for termination if funding is not available. Additionally, annual price increases are a subject that needs to be dealt with in the contract. Using a price escalation clause and tying any annual price increase to an appropriate index such as the Consumer Price Index will alleviate any negativity associated with annual price increases.

Another question becomes what is the specified period for a multi-year contract? The 2000 Model Procurement Code for State and Local Governments says the following:[35]

> *Multi-Year Contracts:*
> *(1) **Specified Period**. Unless otherwise provided by law, a contract for supplies or services may be entered into for any period of time deemed to be in the best interests of the [State] provided the term of the contract and conditions of renewal or extension, if any, are included in eh solicitation and funds are available for the first fiscal period at the time of contracting. Payment and performance obligations for succeeding fiscal periods shall be subject to the availability and appropriation of funds therefore.*
> *(2) **Use**. A multi-year contract is authorized where:*
> *(a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and*
> *(b) such a contract will serve the best interests of the [State] by encouraging effective competition or otherwise promoting economies in [State] procurement.*
> *(3) **Cancellation Due to Unavailability of Funds in Succeeding Fiscal Periods.** When funds are not appropriated or otherwise made available o support continuation of performance in a subsequent fiscal period, the contract shall be cancelled and the contractor shall be reimbursed for the reasonable value of any non-recurring costs incurred but not amortized in the price of the supplies and services delivered under the contract. The cost of cancellation may be paid from any appropriations available for such purposed.*

Multi-year contract are an accepted practice within public purchasing and have a strategic role to play in garnering quality products are the lowest price. The following recommendation is proposed to allow for acceptable multi-year contracting:

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[35] The 2000 Model Procurement Code for State and Local Governments, American Bar Association, 2000, pg. 33.

Recommendation 3.17: Develop a multi-year contracting policy that allows long term contracts stating a maximum period and an exception with Board approval policy.   (Short Term, Internal)

3.2.9 Types of Contracts:

Section 725 does not indicate which types of contracts are authorized for use. There are many types of contracts in use in public purchasing. One of the most important decisions that procurement officers make is selecting the appropriate type of contract. A procurement officer should have the authority to use any type of contract with one exception. That exception is a cost-plus-a-percentage-of-cost contract.[36] It is not a good idea to use the cost-plus-a-percentage-of-cost contract because it provides no incentive for the contractor to control costs, and in fact creates the opposite incentive. Under this type of contract, the contractor performs the work and incurs the costs after the contract is in place. The American Bar Association believed so heavily against that contract type that it prohibited its use under the terms off the Model Procurement Code.[37]

The types of contracts allowed and not allowed need to be present in the purchasing policy, therefore, the following recommendation is offered:

Recommendation 3.18: Develop a policy on the types of contracts that are allowable and not allowable for use. Recommend that the cost-plus-a-percentage-of-cost contract be only allowed under special circumstances where it can be determined that this type of contract is likely to be less costly than other types of contracts. (Short Term, Internal)

3.2.10 Procurement Appeals Process:

Section 725.368 Appeal Process for Aggrieved Bidders/Proposers is an example of conflicting identification of individuals assigned to accomplish certain tasks in the process. Tasking is distributed to a number of individuals and offices, as follows:

- ❖ Administration,
- ❖ Purchasing Office,
- ❖ Purchasing Contracting Office,
- ❖ Purchasing Director, and
- ❖ Superintendent.

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[36] State and Local Government Procurement, National Association of State Procurement Officials, 2008, pg. 61.
[37] Ibid. pg.62

Otherwise, the appeals process seems to be sound. However, the Board may want to consider not allowing appeals on purchases below $50,000. These purchases are completed by informal means and allowing an appeal seems to be counterproductive.

A procurement system that is truly open isn't afraid to be challenged on its contract award and management decisions. That is done by having a workable procedure in place for bidders and contractors to file bid protests, appeals and complaints and contract claims.

The best approach is for a procurement law to establish procedures for the procurement officer's decisions on bid protests and contract claims, and some process for a bid protestor or contractor to be able to appeal that initial decision. The system adopted to manage bid protests and contract claims needs to establish a balance between a fair hearing on the issues and prompt resolution of them so the business of government may continue.[38]

The appeals process is necessary to maintain clarity and transparency in the purchasing process. Additionally, the appeals process indicates that the District is treating all stakeholders fairly in the purchasing process. However, the appeals process must be clear as to whom an appeal is to be made. The following recommendations are made to clarify the appeals process:

Recommendation 3.19: Rewrite the appeals process to be more specific to individuals that are to receive appeals and those who are responsible for processing the appeals. (Short Term, Internal)

Recommendation 3.20: Disallow appeals on purchases under $50,000. (Short Term, Internal)

3.2.11 Suspension and Debarment:

Section 725 is silent on the subject of vendor suspension and debarment. Suspension and debarment are the final tools in the purchasing toolkit that a purchasing official may yield against unethical vendors and contractors. Generally speaking, a law must explicitly grant that authority, establish procedures, and specify the vendor behavior to which suspension or debarment is appropriate.

Suspension is prohibiting a supplier from submitting bids and offers for a definite or indefinite period of time. Additionally, suspension is normally a temporary determination to exclude a

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[38] State and Local Government Procurement, National Association of State Procurement Officials, 2008, pg. 211.

supplier from obtaining any contracts for a period on time, usually before initiating debarment. Reasons for this action may include poor performance, late deliveries, violations of previous contract terms, etc.[39] As indicated; suspension is the beginning of action against a vendor and is temporary in nature. If the behavior that initiated the suspension is not corrected, the vendor may be debarred from doing business with the District.

Debarment is a more serious situation and requires sound policy and procedures. Debarment is to prohibit a seller/contractor from bidding on future requirements for cause for a certain period of time. Additionally, debarment is a sanction brought against a seller whereby they may not engage in future procurement actions. Though debarment a seller/contractor may be excluded or shut out of future solicitations and contracting opportunities.[40]

Suspension and debarment are serious situations that need serious consideration from the policy writers to ensure that the District is protected against unethical vendors or contractors. The following recommendation is offered to establish a suspension and debarment policy.

Recommendation 3.21: Develop a suspension and debarment policy to protect the District from unethical vendors. (Short Term, Internal)

3.2.12 Board Approval:

Board approval is required on all purchases over $100,000 except those exempted by the Board by Section 725.13 a-i and Section 725.142. Table 1 indicates that there were 140 transactions above $100,000 in FY 2009 that accounted for approximately 72% of the dollars spent. The $100,000 approval threshold is low and is delaying the purchasing process as the schools and departments wait on the approval process to play out. This is especially true in the construction area where the majority of the purchases are over $100,000.

The Municipality of Anchorage Assembly approves all competitive purchases over $500,000. The Assembly requires:

> *All contracts awarded through competitive procedures under this subsection A that are*
> *more than $50,000.00 and less than $500,000.00 shall be reported to the assembly in an*

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[39] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 118.

[40] Ibid. pg.35

informational memorandum once each month.[41]
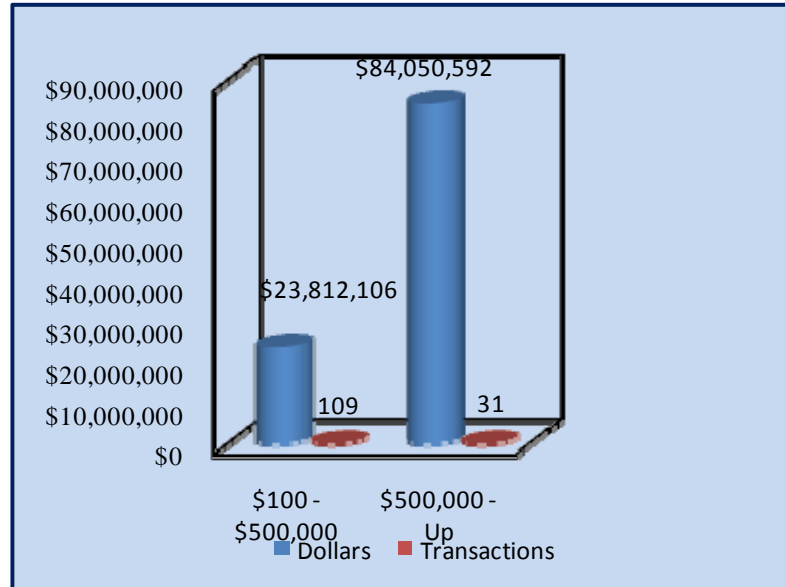
Figure 11 Dollars and Transactions above $100,000

Using Table 1 data, if the Board raised its approval threshold to $500,000 it would have approved 31 purchases that accounted for 56.1% of the dollars spent in FY2009. At this level the Board would have approved over 50% of the dollars spent which are the highly complex purchases where the Board should be involved, Figure 11.

Recommendation 3.22: Raise the Board approval threshold to $500,000 for competitively bid purchases. (Short Term, Internal)

3.2.12 Contract Approval:
Section 725 is mute on the subject of who has delegated authority to sign contracts on the behalf of the District. The Board is designated as the approval authority for bids/proposals of $100,000 and above and the Superintendent is delegated the authority to approve awards below $100,000. However, no one is delegated the authority to sign the actual contract. The Form of Contract

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[41] Anchorage Municipal Charter, Code and Regulations, Municipality of Anchorage, Alaska, Title 7, Purchasing and Contracting and Professional Services, Chapter 7.15.010 Contracting Authority.

used by ASD Purchasing carries the signature element of the District Purchasing Officer as the individual to sign the contract.[42]

The Board policy should be explicit regarding the delegation of an individual to sign contracts on behalf of the District.

Recommendation 3.23: Designate an individual the authority to sign contracts on behalf of the District. (Short Term, Internal)

3.2.13 Unauthorized (Maverick) Procurements:
There is no clear delegation of purchasing authority and who is authorized to obligate the District in a contractual arrangement. Conversely, there is no process to rectify an intentional or unintentional unauthorized purchase. Consequently, when unauthorized or maverick purchases do occur, and they will occur even in the most tightly controlled purchasing environment, staff does not know how to react. A Board policy is required to inform the staff how to ratify unauthorized procurements or how to penalize the wrong doer.

Recommendation 3.24: Develop and unauthorized procurement policy with ratification and penalties for the unauthorized actions. (Short Term, Internal)

3.2.14 Board Policy Section 725 Review Conclusion:
Although Section 725 includes a number of areas needing revision, Section 725.2 Acquisition of Construction Projects and Architectural Engineering is the exception. The Facilities Department is making good use of Section 725.2 and it is serving the Department's needs. The sections surrounding the purchasing of goods and services, however, require some revisions. Clarity needs to be improved in the goods and services zone. Primarily, clarity can be improved by being specific as to delegations of authority and using definitions to define terms used throughout the policy.

Additional procurement methods and amplification of existing methods will greatly assist ASD Purchasing to timely complete the purchasing process. A small non-competitive purchase threshold and implementation of a P-Card program will alleviate some of the bottlenecks in the purchasing process and open up opportunities within ASD Purchasing for strategic sourcing to occur. An increase in the Board approval level will further open up the purchasing process to

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[42] Anchorage School District ITB2009-517 Attachment C, Xerographic Paper

serve the needs of schools and departments and to provide for the educational needs of the students.

Allowing for the future use of technology will enhance future District purchasing operations as the District matures in its use of IFAS. Possible future uses of IFAS include on-line bidding and contract management. Additionally, using the Internet for advertising bidding opportunities will expose the Internet to future improvements in the purchasing process.

Determining the type of specification to use will lead to better purchase descriptions, improved vendor relations and better bids and pricing in the purchasing process. Having the authority to use multi-year contracts will support ASD Purchasing's strategic sourcing program and pilot in solid vendor partnership with better pricing.

Vendor relationships will be improved as the result of the improved appeals process and a strong suspension and debarment program. Vendors will understand that the District is treating all vendors fairly and in a transparent manner. Additionally, vendors will understand that the District has a program to eliminate poorly performing vendors and increase the use of good performing vendors.

Recommendation 3.25: Revise Board Policy Section 725 to provide more clarity, better procurement methods, stronger delegations of authority including small non-competitive purchases, future use of technology in the purchasing process, increased vendor relationships and use of better specifications and multi-year contracts. The overall goal in a revision is to allow ASD Purchasing the tools needed to support the District's essential purchasing requirement in support of the instructional and operations missions. (Short Term, Internal/External)

3.3 Consolidated Listing of Board Policy Section 725 Review Recommendations:

Recommendation 3.1: Specifically delegate purchasing authority to the Director of Purchasing or designee so that delegation may be further made to the purchasing staff, as required. (Short Term, Internal)

Recommendation 3.2: Include definitions at the beginning of each section to clarify the terms used within the section. (Short Term, Internal)

Recommendation 3.3: Repeal the exemption for sole source procurements and develop a separate procurement method for sole source procurements to include justification, approval and quarterly reporting to the Board. (Short Term, Internal)

Recommendation 3.4: Repeal the exemption for cooperative agreements from local vendors only and develop an expended cooperative agreement procurement method. (Short Term, Internal)

Recommendation 3.5: Consider exemptions for additional commodities such as works of art, published maps and technical pamphlets, regulated public utilities where service and rates are not negotiable, conference, seminar and training fees, visiting speakers, professors and performing artists, memberships, dues and fees for conference and seminars associated or similar expenses, training courses and materials provided by accredited institutes of learning and employments contracts. (Short Term, Internal)

Recommendation 3.6: Include a separate policy section for specifications and their usage in the purchasing process. (Short Term, Internal)

Recommendation 3.7: Repeal the requirement to use "Brand name or better" specifications. (Short Term, Internal)

Recommendation 3.8: Include Board policy on the usage of standard specifications. (Short Term, Internal)

Recommendation 3.9: Establish the small non-competitive purchase threshold at $2,000. (Medium Term, Internal)

Recommendation 3.10: Include usage of P-Cards for small non-competitive purchases under $2,000. (Short Term, Internal)

Recommendation 3.11: Establish competitive sealed bidding as the preferred competitive purchasing method. (Short Term, Internal)

Recommendation 3.12: Require justification to use the competitive sealed proposal purchasing method. Justification should be in writing and maintained in the bid file. (Short Term, Internal)

Recommendation 3.13: Establish sole source procurements as a purchasing method. (Short Term, Internal)

Recommendation 3.14: Rewrite Section 725.15 to include emergency situations that create a threat to public health, welfare, safety, or property, such as may arise by reason of floods, epidemics; riots, equipment failures, or such reasons as may be proclaimed by the Superintendent. (Short Term, Internal)

Recommendation 3.15: Require that the primary bidding opportunities advertising method be ASD Purchasing's Web site and an alternate method be by print newspaper or trade journals when the situations calls for additional advertising coverage. (Short Term, Internal)

Recommendation 3.16: Develop technology policy that allow for Authorizations for use of Electronic Transactions, Electronic Posting and Electronic Signatures. (Short Term, Internal)

Recommendation 3.17: Develop a multi-year contracting policy that allows long term contracts stating a maximum period and an exception with Board approval policy. (Short Term, Internal)

Recommendation 3.18: Develop a policy on the types of contracts that are allowable and not allowable for use. Recommend that the cost-plus-a-percentage-of-cost contract be only allowed under special circumstances where it can be determined that this type of contract is likely to be less costly than other types of contracts. (Short Term, Internal)

Recommendation 3.19: Rewrite the appeals process to be more specific to individuals that are to receive appeals and those who are responsible for processing the appeals. (Short Term, Internal)

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Recommendation 3.21: Develop a suspension and debarment policy to protect the District from unethical vendors. (Short Term, Internal)

Recommendation 3.22: Raise the Board approval threshold to $500,000 for competitively bid purchases. (Short Term, Internal)

Recommendation 3.23: Designate an individual the authority to sign contracts on behalf of the District. (Short Term, Internal)

Recommendation 3.24: Develop and unauthorized procurement policy with ratification and penalties for the unauthorized actions. (Short Term, Internal)

Recommendation 3.25: Revise Board Policy Section 725 to provide more clarity, better procurement methods, stronger delegations of authority including small no-competitive purchases, future use of technology in the purchasing process, increased vendor relationships and use of better specifications and multi-year contracts. The overall goal in a revision is to allow ASD Purchasing the tools needed to support the District's essential purchasing requirement in support of the instructional and operations missions. (Short Term, Internal/External)

Section 4. Procurement Best Practices

4.1 Procurement Best Practices:

An objective of the Management Review and Analysis was to gain recommendations on the use of current procurement best practices for ASD Purchasing to use to procure goods and services. Additionally, the review was to include utilizing the Leadership in Energy and Environmental Design (LEED) Green Building Rating System, and other public procurement trends.

There are several procurement best practices that could aid the District's purchasing process. Two best practices, the P-Card and cooperative purchasing, are at the foreground of the any procurement best practices in use by public procurement organizations. Among the many reasons that P-Cards have become so popular is that they simplify the purchasing process. In addition, purchases made with P-Cards reduce the purchasing process cycle, from issuing a purchase order to receiving the item, by about eight days.[43] Cooperative purchasing is another best practice that speeds up the purchasing process cycle and results in better pricing than stand alone open market purchases. Other best practices that can be incorporated into the purchasing process include strategic sourcing, spend analysis, and environmentally preferred purchasing initiatives.

4.2 Popular Procurement Best Practice:

The most popular procurement best practices in use in purchasing organizations are:

- ❖ Purchasing Card Program,
- ❖ Cooperative Agreement Usage,
- ❖ Strategic Sourcing Methodologies,
- ❖ Spend Analysis, and
- ❖ Environmentally Preferred Purchasing.

4.2.1 Purchasing Card Program:

During the 1980s, the federal government implemented the P-Card program to enhance efficiency and effectiveness in procuring small low-value items; it also served as a payment vehicle. Today, the P-Card has proven to be one of the most efficient methods for procuring goods and services. End users can place orders directly with vendors without using the traditional purchasing process (i.e. purchase order, receiving, accounts payable process, etc.). The P-Card is

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[43] Procurement Cards Give Townships Flexibility, Control over Spending, PA TownshipNews, November 2009.

a powerful tool that has reshaped the way in which public procurement organizations implement their purchase-to-payment process.

Furthermore, employees are empowered in their job function because the P-Card affords them the autonomy to be closely engaged in the decision-making selection of goods and services. In other words, the P-Card is a delegation tool, giving the end user greater flexibility, responsibility and independence from the procurement department when buying low cost to high-ticket items.

There still exists considerable confusion about the specific role of P-Cards because of the close linkage between purchasing and paying using a P-Card. P-Cards are first and foremost a payment tool. The purchasing that is done using a P-Card is actually a form of purchase delegation. Like any other delegation of purchasing authority, there are limits and procedures to be followed. The controls implicit within P-Cards serve as an effective control and monitoring mechanism for those purchasing delegations; for that reason they can be highly leveraged to enable much

> P-Cards are first and foremost a payment tool.

greater expansion of low value purchasing. They can also be used as a payment tool to pay for specific, extremely large purchases. As payment for both small and large purchases, P-Cards can generate substantial rebates.

During the 1990s, the private sector embraced the P-Card concept and now it has become a routine way of conducting business on a day-to-day basis. The use of the P-Card results in savings to the bottom line—it's a profit gain that leverages the dollars spent. The public sector benefits in a like manner—maximizing the value of the dollars spent that result in an increase of revenue through rebates. The fundamental goals of a P-Card program are:[44]

- ❖ Reduce process cost;
- ❖ Increase process efficiency;
- ❖ Increase convenience for employees;
- ❖ Reduce time needed to obtain goods/services; and
- ❖ Reduce number of paperwork errors.

As P-Card programs have matured, the organizational goals expanded to include:

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[44] Palmer, Richard J. and Gupta, Mahendra. 2003 Purchasing Card Benchmark Survey Results. RPMG Research Corporation, 2003. Pg. 38.

❖ Obtain better data about spending;
❖ Increase control over spending;
❖ Leverage spending to reduce prices; and
❖ Generate rebates

Between the 1990's and 2003, P-Cards evolved from "best practice" to "common practice" for both public and private sector organizations. Since 2003, the focus has been on "controlled growth" of existing P-Card spending programs.[45] Current and future trends among best performing public agencies are to use the P-Card as an efficient and effective payment mechanism, not only for small purchases, but also for blanket contracts, electronic catalog orders, and individual contract payments.

Purchasing Card Process:

Figure 12[46] shows how P-Cards are used for payment purposes—similar to an individual's use of a personal credit card. P-Cards or non-plastic account numbers are issued to cardholders responsible for making purchases and/or paying bills on behalf of their employer; for example, cardholders can order office supplies via a vendor's website, pay their cell phone provider for monthly fees or register a colleague for a seminar. Vendors accept P-Cards for payment, process transactions to cardholders' accounts and submit transactions through their merchant acquirer.

The mechanics of the process are simple and straightforward:[47]

❖ Plastic P-Cards or non-plastic account numbers are issued to requisitioners.
❖ Each card/account is mapped to a general ledger account. (In some cases G/L mapping can be done based on Merchant Category Codes or Point of Sale Information.)
❖ The requisitioner places orders with vendors providing appropriate payment instructions.
❖ The vendor processes the order using their acquiring bank's authorization process.
❖ Cardholders receive their P-Card statement directly from the card issuer. The cardholder reviews and approves the statement. Cardholders do not submit a payment.

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[45] Palmer, Richard J. and Gupta, Mahendra. 2005 Purchasing Card Benchmark Survey Results. RPMG Research Corporation, 2003. Pg. 22.

[46] National Association of Purchasing Card Professionals (2008). *Purchasing Card Essentials: The NAPCP's Guide to Establishing and Managing a Program. Introduction to Purchasing Cards.* Minnetonka, MN, p. 2.

[47] National Association of Purchasing Card Professionals, http://www.napcp.org/napcp/napcp.nsf/

❖ A single electronic invoice is sent from the card issuer to the requisitioner's organization on a monthly, weekly or daily basis. The invoice is processed to create accounting entries and facilitate payment.
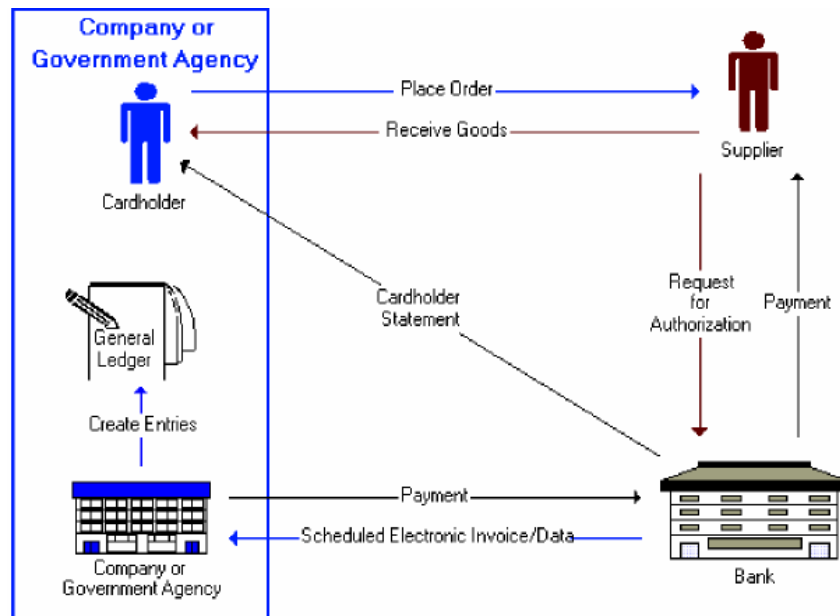
Figure 12 Purchasing Card Process

To minimize the risk of fraud and misuse within a P-Card program, end-user organizations dictate policies and procedures for managing documentation (e.g., receipts), review and reconciliation processes. Controls may include:[48]

❖ Single transaction and monthly spending limits;
❖ Merchant Category Code restrictions limiting the type of merchant where a P-Card may be used;
❖ Velocity or number of times a card is used in a period; and
❖ Periodic review by someone independent of the cardholder

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[48] National Association of Purchasing Card Professionals (2008). *Purchasing Card Essentials: The NAPCP's Guide to Establishing and Managing a Program. Introduction to Purchasing Cards.* Minnetonka, MN, pg. 2.

Unlike the consumer credit card mode, an end-user organization does not carry a balance, instead paying its card issuer in full each month for all cardholders' transactions. With P-Cards, the end-user organization assumes liability for payment—the cardholder neither owes the card issuer nor makes payments. Each month, individual cardholder statements should show a zero balance. Typically, cardholders reconcile (i.e., verify) posted transactions through a P-Card System provided by the issuer (or other party) or via a monthly statement. This is similar to the consumer credit card stream, in which individuals can view online—via their bank's website—their statements and transactions as they post.

Using the software application provided by the merchant bank enables the P-Card Administrator to create card profiles and specify the credit limit, and transaction controls for groups of P-Cards. Transaction controls can include a single transaction limit, daily and monthly limits, automatic sign off limit, the amount of discretionary funds available, and the permitted Merchant Category Codes (MCCs) that determine the type of vendors from which cardholders can make purchases. These controls and the application provide enhanced control and full visibility and transparency into P-Card transactions, much better than the control and visibility for small purchases made without P-Cards. It will also enable the organization to greatly reduce liability, while providing cardholders with the spending power they require. Because card profiles can be applied to P-Cards with identical settings, a large group of cards can be easily managed by changing the settings for a single profile.

When utilizing the P-Card with existing contracts, the purchasing organization would also be improving relationships with vendors. Not to be forgotten, there are financial and process savings for vendors as well. These can be leveraged in negotiations for more favorable contract terms. The vendors' cash flow typically improves to two days versus the typical 30 to 60 days and their administrative functions are eliminated or consolidated. The result is additional sales revenue for the vendor.

The use of ghost cards, rather than physical cards is fast becoming a best practice wherein the P-Card is "plastic-less". Very simply, an arrangement may be negotiated with a specific vendor so that the card number is held in trust by that vendor and all purchases from that vendor are paid against the ghost card number. The card usage would be controlled and monitored very closely. For example, purchases against annual contracts or Staples could utilize this kind of approach. Ghost card accounts are also very practical for high-dollar purchases such as textbooks, library books, IT equipment, or custodial supplies.

Purchasing Card Policy and Procedures Manuals:

A P-Card policy and procedures manual is the foundation of an efficient and effective program. Common elements of a manual include:[49]

- ❖ Program policy
- ❖ Program objectives
- ❖ Program contacts
- ❖ How to obtain a P-Card account
- ❖ P-Card usage
- ❖ Targeted and restricted transactions
- ❖ Card controls
- ❖ Account maintenance
- ❖ Account closure
- ❖ Reconciliation process
- ❖ Approval process
- ❖ Auditing program
- ❖ Fraud, disputes and lost cards
- ❖ Repercussions for policy violations

Such a manual forms the foundation for a communications and training program for P-Card use. Ongoing communication is the means to keeping an open dialogue with the program participants, announcing new policies and procedures and keeping the message of compliance in the forefront. There are many avenues to get the message out, to include educational brochures (targeted for recurring problems or questions); quick reference cards (wallet-size); newsletters; email messages; an Intranet page dedicated to P-Card and periodic user group meetings with key department staff.

Purchasing Card Program Training:

A comprehensive training program is essential in preparing individuals involved with a P-Card, from cardholders, directors, and executive leadership, on the program content. Prior to employees taking on a role with the P-Card either as cardholders or departmental administrators, they should be trained. It is a best practice to require cardholders to sign an agreement to confirm they

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[49] National Association of P-Card Professionals (2008). *P-Card Essentials: The NAPCP's Guide to Establishing and Managing a Program. Minnetonka, MN,* p.75.

understand the material and agree to compliance in addition to offering a Web-based refresher training course.

Purchasing Card Fraud or Misuse:

The perceived risk of fraud or misuse with a P-Card Program is not reality. P-Card misuse accounts for 0.67 incidents per 10,000 or $340 for every $1 million in P-Card spend.[50] Studies have found that organizations with high misuse have poor controls. Conceivably, effective internal controls that are documented, conveyed to cardholders, monitored and enforced will prevent fraud and misuse.

A useful guide to determine if effective controls have been established is "Auditing and Investigating the Internal Control of Government Purchasing Card Programs, " published by the United States General Accounting Office (May 2003). Periodic internal audits and an annual external audit will also reduce the incidence of improper purchases. The external audit should follow the guidelines in the GAO Audit Guide for P-Card programs.

Purchasing Card Usage:

The District is not using the P-Card process; however, it should pursue the usage of P-Card to purchase the small low-value purchases now causing bottlenecks in ASD Purchasing. Initiatives such as utilizing P-Cards to pay for purchases off annual contracts and for payment of orders through the Staples electronic ordering site are extremely open to use of the P-Card. They should certainly be considered for implementation. But initiatives such as these need to be pursued as part of a broader strategic plan, not as isolated actions.

The Council of Great City Schools measured P-Card Transactions and P-Card Purchasing Spend (Dollars). The P-Card Transactions benchmark measures the total number of P-Card transactions divided by total number of procurement transaction.[51] The P-Card Purchasing Spend measures the total dollars spent by the district using P-Cards divided by total procurement dollars spent by the district including P-Cards.[52]

A comparison of the results of these two measures is contained in Figure 13. The data tends to substantiate that the P-Card is used to process a high number of transactions but is only used for

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[50] Reference: Palmer, Richard J. and Gupta, Mahendra. *2005 P-Card Benchmark Survey Results.* RPMG Research Corporation, 2003, p. 117.

[51] Council of Great City Schools, A Report of the Performance Measurement and Benchmarking Project, October 2009, pg. 92

[52] Ibid. pg. 120

a relatively low amount of the total spend dollars. The District's purchasing patterns follow the typical transactions vs. spend patterns displayed in Figure 13. For FY 2009, the number of transactions under $2,000 is 84% of the total transactions and accounts for 5.1% of the dollars spent. The District could benefit from the implementation of a P-Card program. However, a strategy and plan for P-Cards is necessary prior to implementation in order to:

❖ Clearly articulate goals, objectives and performance measures for the use of P-Cards; and
❖ Establish the framework for:
  ▪ Promoting the program;
  ▪ Identifying and prioritizing opportunities to best leverage the use of P-Cards;
  ▪ Enhancing training;
  ▪ Developing the policy and procedures manual; and
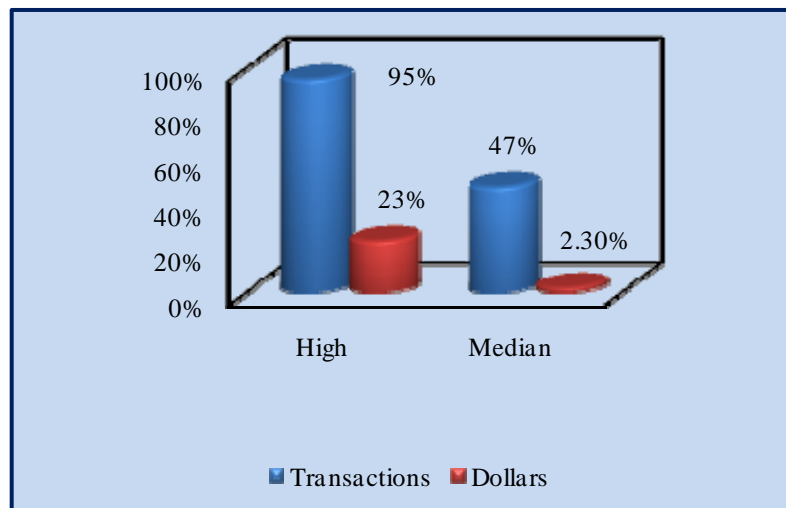 ▪ Building the training program for cardholders and departmental administrators.

Figure 13 P-Card Transactions vs. P-Card Spend

Recommendation 4.1: Implement a P-Card program for the small low-value purchasing transactions that account for 84% of the purchasing transactions and 5.1% of the dollars spent. Additionally, Use P-Cards for larger purchases or as a payment vehicle where competition has been obtained or is exempted, utility payments, etc. (Short Term, Internal)

4.2.2 Cooperative Agreement Usage:

The term "cooperative procurement" covers several different sharing arrangements among any number of governmental relationships. A general description of the process of cooperative purchasing is that two or more governments, such as state/state, city/state, county/county, city/county district/district and city/district together identify a common need, and combine those requirements into a formal solicitation. Another variation is called "piggybacking." In this variety Entity A issues a bid for goods or services based solely upon its volumes but places a clause in the solicitation stating that (if the successful vendor agrees) any other government may use the resulting contract and receive the same prices. In order for governmental agencies to legally piggyback on a contract, it must have been written with a cooperative usage provision. Additionally one can only use a cooperative contract for items covered by the agreement. For instance, if Entity A issues a cooperative contract with a company for office supplies but excludes furniture, Entity B cannot legally use that contract to buy furniture. Cooperative purchasing has increased greatly in the last few years as entities are looking to procure goods and service in more efficient and cost effective ways. Cooperative purchasing provides another tool for the procurement professional to consider.

Currently, ASD Purchasing is using some cooperative procurement agreements. ASD Purchasing; however, is limited to the use of purchasing agreements from local vendors. The expanded use of cooperative purchasing mechanisms would enable the District to leverage a far greater purchasing power for better pricing and enhanced service. It also would enable the District to benchmark the price of goods and services, choosing the optimal procurement approach. Maximizing the use of state contracts and cooperative agreements is strongly encouraged wherever it makes good procurement sense to do so. Researching and investigating potential opportunities to participate in other regional and

Partial List of Cooperative Procurement Organizations to be Considered for Usage
- Alaska State Contracts
- Federal GSA Contracts (limited)
- HGAC
- Horizons
- NJPA
- PEPPM
- Public Sourcing Solutions
- TIPS/TAPS
- US Communities
- WSCA

national cooperatives is an important function by both purchasing operations and purchasing planning. However, with the proliferation of purchasing cooperatives, research and analysis is critical.

A few examples that demonstrate the scale of savings that have been achieved through cooperative practices:[53]

> Since 2006, the City of Los Angeles has estimated savings and rebates of approximately $1.8 million based on the purchase of $18 million in office supplies by utilizing Los Angeles County's contract with Office Depot.

> Fairfax County, Virginia, also purchases its office supplies from Los Angeles County's contract and achieved rebates of nearly $700,000 in fiscal year 2009.

> When the City of Los Angeles was outfitting 4,400 new workstations in its new Police Administration Building, it saved over $13.5 million by using Fairfax County, Virginia's pre-competed contract with Haworth.

> The State of New Jersey recently adopted the City of Charlotte/Mecklenburg County's auto parts contract held with AutoZone. Based on a projected purchase of auto parts for State fleet vehicles and equipment of $9 to $10 million in fiscal year 2009, the State is expected to save about $1.5 to $2 million by using the cooperative contract.

> Due to its budget constraints, the City of San Antonio was recently unable to replace aging construction equipment or procure additional equipment, therefore relying exclusively on renting equipment. Through the use of North Carolina State University's contract with Hertz Equipment Rental, the City is expected to derive a direct savings of $132,000 annually or an approximately 25% decrease in costs from its current rental equipment contracts.

The Council of Great City Schools completed a performance measurement of the total district dollars spent under the use of cooperative agreements. The measure is the total spends on cooperative agreements divided by total procurement dollars spent by the district.   This measure is important because it assesses the use of cooperative agreements that districts can use to

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[53] Government Potential to Achieve Greatness, Steve Hamill, NIGP Buy Weekly, December 16, 2009, http://www.nigp.org/eWeb/docs/BuyWeekly/BuyWeeklyEmail/Email2/index.html

leverage their collective buying power to maximize savings through economies of scale. There was a total of 30 districts responding to the measure and four of the districts were above 10% and the highest ranking district was spending 64% of its spend using cooperative purchases. However, the median ranking was only 0.7%.[54] Factors that influence this measure is the district's procurement laws and policies, commodity (some goods and services lend themselves to leveraging volume more than others), degree of standardization with other entities, number of available and eligible cooperative agreements and market environment (cooperative contracts may not remain competitive with the market).

Recommendation 4.2: Expand the authorization for usage of cooperative agreements to allow ASD Purchasing to select cooperative agreements offering the best terms and conditions and further negotiate for the best possible price. (Short Term, Internal)

4.2.3 Strategic Sourcing Methodologies:

Wikipedia, The Free Encyclopedia, defines strategic sourcing as an institutional procurement process that continuously improves and re-evaluates the purchasing activity of a company. It is one component of supply chain management. The steps in a strategic sourcing process are:

- ❖ Assessments of a company's current spend (what is being bought?)
- ❖ Assessment of the supply market (who offers what?)
- ❖ Total cost analyses (how much does it cost to provide those goods or services?)
- ❖ Identification of suitable suppliers
- ❖ Development of a sourcing strategy (where to buy what considering demand and supply situation, while minimizing risk and costs)
- ❖ Negotiation with suppliers (products, service levels, prices, geographical coverage, etc.)
- ❖ Implementation of new supply structure
- ❖ Track results and restart assessment (continuous cycle)

Although strategic sourcing got its beginnings in the private sector it has been successfully integrated into the public sector where it has become a procurement best practice. In the public sector strategic sourcing is a systematic process that directs supply managers to plan,

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[54] Council of Great City Schools, A Report of the Performance Measurement and Benchmarking Project, October 2009, pg. 104.

manage and develop the supply base in line with the organization's strategic objectives.[55] The federal government spends approximately $300 billion on goods and services each year, and federal agencies are responsible for maximizing the value of each dollar spent. Therefore, agencies need to leverage spending to the maximum extent possible through strategic sourcing. Strategic sourcing is the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently. This process helps agencies optimize performance, minimize price, increase achievement of socio-economic acquisition goals, evaluate total life cycle management costs, improve vendor access to business opportunities, and otherwise increase the value of each dollar spent.[56]

The Council of Great City Schools reported on the total procurement dollars spent on strategically sourced goods and services in relationship to the total procurement dollars by a district. This measure is a strong indicator of potential cost savings that can result from leveraging consolidated requirements with competitive procurement and minimizing spot buying and maverick (unauthorized procurements) spending. The National Purchasing Institute (NPI) Achievement of Excellence in Procurement Award cites an agency's use of term (annual or requirements) contracts for at least 25% of total dollar commodity and services purchases as a reasonable benchmark. Strategic sourcing is a systemic process to identify, qualify, specify, negotiate, and select suppliers for categories of similar spending that includes identifying competitive suppliers for longer-term agreements to buy materials and services. Simply put, strategic sourcing is organized agency buying that directly affects the available contracts for goods and services, i.e., items under contract are readily accessible while others are not. Quality and product guarantees are better accounted for in the bidding process than is true in no-bid situations.[57]

The District has many potential commodities that are targets for strategic sourcing. The current List Item catalog is a prime candidate for strategic sourcing. It is presently sourced out once a year and all orders are placed at one time. Orders are all placed once a year and if a school miscalculated on their order there is no means to order more units. The District has not established a long term arrangement with the vendors whereby schools may draw on the catalog

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[55] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 94.

[56] Office of Management and Budget, Implementing Strategic Sourcing, Office of the President, Washington, D.C., 2005. *www.whitehouse.gov/omb/procurement/comp_src/implementing_strategic_sourcing.pdf*

[57] Council of Great City Schools. A Report of the Performance Measurement and Benchmarking Project, October 2009, pg. 98.

throughout the year. A multi-year term contract strategically sourced may bring better pricing since the vendor understands that pricing is for a multi-year period and that volume will be higher. Additionally, the District could establish the contract as a cooperative agreement with other Alaska school districts leveraging cooperative agreements and strategic pricing. Additional, commodities that are prime targets for strategic sourcing are classroom furniture, vehicle parts, office furniture and custodial supplies.

Recommendation 4.3: Change from simply processing transactions to value added purchasing by using strategic sourcing methods. (Short Term, Internal)

Recommendation 4.4: Shift the procurement focus to supplier relationships and high value, complex, high-risk contracts. Eliminate the focus on low dollar/low risk items. Use mechanisms such as P-Cards and on-line catalog ordering to reduce the amount of time and effort spent on such procurements. (Short Term, Internal)

Recommendation 4.5: Develop an Internet/Intranet strategy for purchasing. Look at what can be performed better electronically and free up staff time. Use these features to communicate effectively with internal and external customers. (Short Term, Internal)

Recommendation 4.6: Develop a program to identify opportunities where the District's spending power can be leveraged to aggregate spend and negotiate better contracts and allow use of the P-Card to purchase from such contracts. Put District wide term contracts in place to leverage volume for low dollar/low risk items and have the Customers order the goods or services themselves using on-line resources. (Medium Term, Internal)

Recommendation 4.7: Develop an electronic commerce strategy and plan for ASD Purchasing Procurement. Move to electronic catalogs and ordering as much as possible from them. Better discounts are usually available. (Medium Term, Internal)

4.2.4 Spend Analysis:
Spend analysis is the process of aggregating, cleansing, and analyzing organizational purchasing data to identify opportunities for reducing costs. This is both a business process issue and a technology issue. In a recent study, the Aberdeen Group reports that public sector organizations can reduce total spending by 2% to 15% through spend analysis.[58] Based on the

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[58] Minahan, Tim A. et al. Supply Management in the Public Sector. Aberdeen Group and Government Procurement News; May 2004.

reported spend by the District of $149.8 million (see Appendix C), that translates to a potential reduction of $2.9 to $22.4 million in annual savings for the District.

"Spend analysis" is a tool that provides knowledge about who are the buyers, who are the suppliers, how much is being spent for what goods and services, and where are the opportunities to leverage buying power. Private companies are using spend analysis as a foundation for employing a strategic approach to procurement. Taking a strategic approach to procurement involves a range of activities—from using "spend analysis" to develop a better picture of what an agency is spending on goods and services, to taking an enterprise wide approach for

> "Spend analysis" is a tool that provides knowledge about who are the buyers, who are the suppliers, how much is being spent for what goods and services, and where are the opportunities to leverage buying power.

procuring goods and services, to developing new ways of doing business. Our prior work has shown that such an approach could help agencies leverage their buying power, reduce costs, and better manage suppliers of goods and services, as leading private sector companies have discovered on adopting these activities. One survey of 147 companies in 22 industries indicated that such an approach produced savings of more than $13 billion in 2000. [59]

The District has the potential for savings in the purchasing process by using spend analysis and initiating strategic sourcing into its procurement program. Areas the District could greatly benefit from with spend analysis is classroom furniture, office furniture, vehicle parts, List Item catalog items, school buses and other vehicles. A spend analysis and then a strategic sourcing initiative could result in savings to the District.

During FY09, the District spent $147.8 million for the purchase of goods and services through ASD Purchasing on purchase orders and BPOs. It is obvious that getting the best value for District procurements will make a huge contribution to efficiency and the successful delivery of goods and services to schools and departments. However, there is presently no program to manage and analyze spending in the District. ASD Purchasing has reporting capabilities through IFAS that will greatly assist in a spend analysis effort. ASD Purchasing can quickly

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[59] Best Practices: Using Spend Analysis To Help Agencies Take A
More Strategic Approach To Procurement, Khi V. Thai, Journal Of Public Procurement, Volume 5, Issue 2, 243 2005

and accurately gather and examine what is spent in each category of goods and services and use this analysis to identify opportunities for improving and negotiating better term contracts.

Recommendation 4.8: Perform a spend analysis on commodities that are being used across all District schools and departments and use strategic sourcing methods to procure the commodities for the entire District. (Short Term, Internal)

4.2.5 Environmentally Preferred Purchasing:

Sustainable, or green, practices should be designed to reduce carbon emission, implement and maintain energy management programs, promote recycling, and create educational opportunities that promote environmental awareness in children. These practices should become the fundamental principles of the organization so that they influence all actions and decisions. There has to be, however, a practical side to these practices that recognizes that financial resources are not unlimited and that investments should be made in those sustainable practices that have the greatest return on investment (ROI). For instance, in some part of the United States, the cost of energy and the amount of sunlight might allow school systems to invest in solar panels to produce energy. In other parts of the country, however, this investment has such a long ROI that the limited capital dollars can be better spent in other areas such as improved insulation or more energy efficient lighting.

Environmental concerns, such as durability, energy efficiency and greenhouse gas emissions, recycled content and recyclability, toxicity and human health, are considered by many to be nearly as important as conventional procurement considerations such as cost, quality and supply.[60] The Project Team was very impressed by the competency and knowledge of the District's Facilities staff. It was quickly clear that they are aware of and embrace sustainable design and operation practices.

NIGP defines environmentally preferred purchasing "as an attempt to address environmental challenges by taking advantage of government's vast purchasing power to create strong markets for environmentally friendly products and services. Purchasing goods and services in a way that does not harm the environment."[61] Environmentally preferred purchasing is not only politically correct, it is an acceptable practice and can save the public entity dollars, especially when looking at the building programs and what savings can be accomplished by building green

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[60] Responsible Purchasing Network, Responsible Purchasing Trends, 2009.

[61] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 45.

buildings. Additionally, we can help sustain the earth and save money for the organization at the same time.

If green purchasing is so important how do organizations feel about considering environment factors in their purchasing decisions? The Responsible Purchasing Network published its Responsible Purchasing Trends 2009 report that summarizes socially responsible and environmentally sustainable purchasing practices and trends among members of the Responsible Purchasing Network (RPN) in the year 2008, and identifies opportunities in the years ahead.[62]
Two out of five (43%) either always (11%) or usually (32%) consider environmental factors in their purchasing decisions. Large percentages communicate green purchasing considerations to employees through training programs (67%) and announcements (49%), while only one in 20 (5%) include green purchasing in employee evaluations. More than four out of five respondents consider recycled content (88%), fuel efficiency (84%), and electrical efficiency (84%) as criteria in purchasing decisions.[63]

Sustainable Building Practices:
There currently exist three significant programs that involve defining best practices for sustainable building practices and certification of buildings. The three programs are:

- ❖ The Leadership in Energy and Environmental Design (LEED) Green Building Rating System,[64]
- ❖ Collaborative for High Performance Schools (CHPS),[65] and
- ❖ Green Globes Design.[66]

Each of these programs has advantages and disadvantages. LEED is the most universally known and recognized program and thus offers the benefit of instant credibility. LEED, however, comes with a cost both financially and administratively as it requires extensive documentation to obtain certification. LEED has moved the past several years to develop specific standards for schools and that is a positive step by the council.

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[62] Responsible Purchasing Trends 2009, The State of Sustainable Purchasing, Responsible Purchasing Network, Center for a New American Dream, 6930 Carroll Ave., Suite 900, Takoma Park, MD 20912, 2009.
[63] Ibid. pg. 8.
[64] Developed by the U.S. Green Building Council http://www.usgbc.org/
[65] http://www.chps.net/dev/Drupal/node
[66] http://www.greenglobes.com/design/homeca.asp

CHPS was designed from the beginning for K-12 buildings and allow self-evaluation for certification. Thus, for those systems that possess the talent and resources to appropriately manage a sustainable program without outside oversight, CHPS might be a more viable program and is certainly less expensive.

The Project Team has no experience with Green Globes Design but it does appear to be well accepted within the industry. Green Globes originated in Canada so the Project Team presumes that the program has appropriate sensitivity to cold climates such as in Anchorage. It does appear, however, that this program applies to new buildings and not to building renovations.

During interviews while at ASD, the Project Team was informed that the Municipality of Anchorage has mandated that the District seek LEED certification of future construction projects. Assuming that to be true, it appears that the District has little choice in considering the alternative certification programs.

The District does not have a formal environmentally preferred purchasing policy in effect. Trends are that all governmental bodies will eventually have to meet the challenge of developing a policy dealing with sustainably issues. On August 12, 2008, the Municipality of Anchorage Assembly approved a policy requiring green building standards, known as "LEED", for all public buildings over 5,000 square feet. The policy also includes incentives for private construction to encourage LEED adoption throughout the local construction industry.[67] The District is, therefore, complying with the sustainability policies whenever new buildings are constructed within the municipality.

Recommendation 4.9: It is recommended that the School Board adopt an environmental stewardship policy that establishes the priorities of the District. Such a policy provides guidance to staff while also notifying the community of the District's commitments to the environment. (Medium Term, Internal)

4.3 Consolidated Listing of Procurement Best Practice Recommendations:

Recommendation 4.1: Implement a P-Card program for the small low-value purchasing transactions that account for 84% of the purchasing transactions and 5.1% of the dollars spent.

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[67] Municipally of Anchorage, Community Planning and Development, Energy Efficiency, http://www.muni.org/Departments/OCPD/Pages/energyefficiency.aspx

Use for larger purchases or as a payment vehicle where competition has been obtained or is exempted, utility payments, etc. (Short Term, Internal)

Recommendation 4.2: Expand the authorization for usage of cooperative agreements to allow ASD Purchasing to select cooperative agreements offering the best terms and conditions and further negotiate for the best possible price. (Short Term, Internal)

Recommendation 4.3: Change from simply processing transactions to value added purchasing by using strategic sourcing methods. (Short Term, Internal)

Recommendation 4.4: Shift the procurement focus to supplier relationships and high value, complex, high-risk contracts. Eliminate the focus on low dollar/low risk items. Use mechanisms such as P-Cards and on-line catalog ordering to reduce the amount of time and effort spent on such procurements. (Short Term, Internal)

Recommendation 4.5: Develop an Internet/Intranet strategy for purchasing. Look at what can be performed better electronically and free up staff time. Use these features to communicate effectively with internal and external customers. (Short Term, Internal)

Recommendation 4.6: Develop a program to identify opportunities where the District's spending power can be leveraged to aggregate spend and negotiate better contracts and allow use of the P-Card to purchase from such contracts. Put District wide term contracts in place to leverage volume for low dollar/low risk items and have the Customers order the goods or services themselves using on-line resources. (Medium Term, Internal)

Recommendation 4.7: Develop an electronic commerce strategy and plan for ASD Purchasing Procurement. Move to electronic catalogs and ordering as much as possible from them. Better discounts are usually available.   (Medium Term, Internal)

Recommendation 4.8: Perform a spend analysis on commodities that are being used across all District schools and departments and use strategic sourcing methods to procure the commodities for the entire District. (Short Term, Internal)

Recommendation 4.9: It is recommended that the School Board adopt an environmental stewardship policy that establishes the priorities of the District. Such a policy provides guidance

to staff while also notifying the community of the District's commitments to the environment. (Medium Term, Internal)

Section 5. Procurement Standardization

5.1 Procurement Standardization Defined:

Standardization is the process of developing and agreeing upon technical standards. A standard is a document that establishes uniform engineering or technical specifications, criteria, methods, processes, or practices. The goals of standardization can be to help with obtaining volume discounts, compatibility, interoperability, safety, repeatability or quality. There are five definitions associated with standardization.[68]

Standard: *Level of quality accepted as norm; a level of quality or excellence that is accepted as the norm or by which actual attainments are judged.*

Standard Specification: *A specification that is to be used for all or most purchases of an item; describes all required physical and functional characteristics of goods, services or construction.*

Standardization: *The adoption of a single production or group of products to be used by different organizations or all parts of one organization.*

Standardization of Specifications: *The process of establishing a single specification for an item or range of items.*

Standards (Standardization) Committee: *Generally an internal committee of cross-functional representation including procurement, users, and others internal stakeholders impacted by the decisions of the committee. Examples of key functions and activities include:*

- ❖ *Developing standards through a simplification process for designated products and services;*
- ❖ *Establish specifications;*
- ❖ *Review items to determine which items should be incorporated into standards programs;*
- ❖ *Approving products for the Qualified Products List.*

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[68] Public Procurement Dictionary of Terms, National Institute of Governmental Purchasing, Inc., 151 Spring Street, Herndon, VA, 20170, 2008, pg. 113.

5.2 Current Environment:

The District uses product standards in many areas. The catalog of instructional supplies, instructional materials and textbooks are classic examples of standardization, as products are identified and described in sufficient detail to allow end users to understand the products and the vendors to compete for the sale of the products. The District's information technology department has established, and continuously updates, the standards for technology products. There are standards for classroom furniture, but it appears that those standards have not been updated in recent years.

5.3 Procurement Standardization Vision:

As indicated above, standardization offers a number of benefits for school systems. In fact, there are greater opportunities for standardization in school systems than in local governments as schools typically need and utilize a large number of common products. Instructional materials are used in all schools as are custodial cleaning products. Classroom furniture is another area in which standardization can be used as is true of instructional technology.

Standard specifications are the documents that are used to initiate a standardization program. They are appropriate where public agencies frequently and repetitively purchase the same items. They allow the central procurement office to establish performance and quality levels for items of common usage. That, in turn, reduces the varieties of things bought, simplifies inventories, facilitates the consolidation of requirements into large volume bids and contracts and eliminates duplicative specification writing.[69]

Standardization provides the potential of obtaining volume discounts through established annual requirements contracts. Standardization allows teachers and staff to move between schools and be familiar with the products in each of them. Similarly, standardization allows principals to share products when some schools have insufficient quantities and other schools have surplus quantities. Finally, standardization allows central office staff to better support the products. Technology support staff can best support standard products and even curriculum development staff can benefit from knowing what instructional products are being purchased in all schools within the district (at least by school level – elementary, middle, and high).

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[69] State and Local Government Procurement, National Association of State Procurement Officials, 2008, pg. 74.

Recognizing the benefits of standardization, the challenge is to ensure that standardizing does not inhibit or restrict the ability to obtain adequate and appropriate competition. Competition in product and vendor selection is an important element to obtaining best pricing and service. Restrictive products should never be chosen unless there is absolutely no option to do otherwise. It is important, therefore, that the product experts, for example, curriculum development staff, technology staff, vehicle operation and maintenance staff, work hand in hand with purchasing staff when developing product specifications. The expert staff can ensure that the product specifications meet the needs of the school district while the purchasing staff can ensure that the resultant specifications are competitive and that either multiple products will meet the specifications (best case) or that multiple vendors can provide a restrictive product.

In many circumstances, product specification development is not complex and does not require the creation of elaborate and time consuming processes. For example, art curriculum staff can work with teachers to develop appropriate specifications for art supplies such as construction paper. Specification development for technology and even classroom furniture is much more demanding and requires the creation of processes and procedures that work within each school system. Typically a school system's technology department takes the lead in establishing standards so that generally is not an issue in most school systems. Classroom furniture does not have a clear sponsor so it might be necessary and appropriate that the ASD Purchasing take the lead for this product and similar products that lack a clear sponsor. Since classroom furniture is used in schools, ASD Purchasing would be well advised to develop a process that involves principals of all three levels. Appendix E is an extract from Richland One School District's (Richland County, South Carolina) Furniture Specifications Guidelines.

A viable standardization program requires that specifications be reviewed and validated on a periodic basis depending upon the type of product. Technology is an area that requires constant attention whereas classroom furniture might only require updating every several years. With updated specifications, the ASD Purchasing can create annual requirements contracts for those products with a relatively predictable demand. Estimated quantities can be used to give potential bidders an idea of the volume of purchasing they might expect. Language within the solicitation, however, makes it clear that the District is not making any commitment to purchase those actual quantities and that any vendor awarded a contract is not guaranteed to sell those amounts to the District. Hopefully, ASD Purchasing has good historical purchasing data through IFAS upon which to base the estimated quantities that might be purchased in the future. Establishing credibility within the vendor community for these estimates will only enhance future bids as

more vendors will be able to provide pricing based upon reasonable estimates of demand.

In order to remain flexible while creating strategic partnerships with vendors, many school systems establish one year annual requirements contracts with the option to renew for two or more additional one year periods on a line item basis with the mutual agreement of both parties. If the contract is working well and the current pricing is still considered favorable, the contract can be extended. If small price adjustments are necessary, the contract should allow that to occur as a part of the renewal process. If the contract is not working, it can be allowed to lapse. As a middle ground, if some products/vendors are working and others are not, the contract can be renewed for the successful products/vendors and not for the others.

5.4 Consolidated Listing of Procurement Standardization Recommendations:

Recommendation 5.1: Establish a standardization committee to determine and approve standardized goods and services for use within the District's schools and departments. (Medium Term, Internal)

Recommendation 5.2: Establish standard specifications for those repetitive goods and services required. (Medium Term, Internal)

Recommendation 5.3: Establish annual requirements contracts for those products for which standards can be created and for which there is a reasonably predictable demand. (Medium Term, Internal)

Section 6. Technology and e-Commerce Review

6.1 Technology and e-Commerce Environment:

Dr. Michael Hammer: *"Without the creative use of technology, there is no reengineering."*[70] Technology is an enabler. Conversely, the lack of technology becomes an inhibitor to improving business processes. If an organization's most valuable resource is knowledge, then for procurement there must be a robust information technology system to capture, communicate and report essential data to everyone in the supply chain.

Supply chain management is defined as "the integration of business processes from end user through original suppliers that provide products, services and information that add value for customers."[71] For governments, there are several key components to this definition. The supply chain extends from the supplier to the end users (schools and departments); it focuses on relationships as opposed to transactions; and it includes both information and physical product flows.

Purchasing automation is the replacement of manual operations by computerized methods to assist with managing the internal purchasing functions of an organization. E-commerce comprises the actions taken by a purchasing organization to integrate Internet-based technologies into the role of managing the upstream (vendor) portion of the supply chain in order to reduce costs and time and to increase productivity. The primary difference between purchasing automation and e-commerce is that purchasing automation is *internal*, while e-commerce is *external* in order to facilitate the communication of information for supply chain management.

This section examines the existing environment and discusses future technology and e-commerce opportunities to enhance the District's procurement function.

6.2 Procurement System Analysis:

The District is using the Sungard BiTech Integrated Financial and Administrative Solution (IFAS) as its financial software system. The system is utilized district-wide for financial, budget, inventory and purchase orders. The District is in the process of upgrading IFAS to Sungard BiTech's 7i Web based platform. BiTech 7i utilizes a Web based platform and the

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[70] Hammer, Michael. "Public Sector Reengineering." Interview. By Brian Miller. Government Technology September 1995: 30-31.
[71] Giunipero, Larry C., and Sawchuk, Chris. e-Purchasing Plus. Goshen, NY: JGC Enterprises, 2000, p. 101.

District is expected to fully implement this upgrade at the start of the fiscal year, July 1, 2010.

IFAS – the Integrated Financial and Administrative Solution – is a Web-based ERP product designed to help improve efficiencies in an organization. The software leverages the latest technologies including Web architecture, workflow systems and integrated reporting to empower administrators and end users alike. The public sector focus fosters a support staff which understands how organizations like yours operate.[72]

The IFAS purchasing module is designed for use by centralized and decentralized purchasing operations that enter requisitions online with online approval. The purchasing module provides the ability to track items through the receiving cycle, As well; the purchasing module is designed for use by operations that do no more than enter requisitions and print purchasing orders. In short, the Purchasing module is a powerful tool for a wide range of purchasing applications, it prints purchase orders and provides the ability to track the life of each individual item that is printed on purchase orders. Purchasing also includes an optional automatic interface to the Encumbrance, Accounts Payable, Fixed Assets and Stores Inventory modules.[73]

During interviews with various users, schools and departments, of IFAS there was general satisfaction expressed regarding IFAS and its usage to create their purchasing requirements. All respondents appeared to be pleased with the present operations of the system and the level of training that they had been provided. The ASD Purchasing staff is using and testing the Sungard BiTech's 7i Web based platform that is to be implemented in July 1, 2010. Discussions with the ASD Purchasing staff indicate that the 7i Web based Purchasing module is much more user friendly and uses Windows type applications and a mouse for input of data a feature not available in IFAS.

The Chief Information Officer provided the Project Team with a demonstration of the 7i Web based Purchasing module's Dashboard, main menu. The new Web application will increase the user friendliness of the Purchasing application and increase the ease of creating requisitions. Users will be allowed to point and click to advance between fields on the input screens.

ASD Purchasing and the Information Office have done an excellent job of implementing IFAS and there is no reason to indicate that the 7i Web based application implementation will be

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[72] Sungard, Public Sector, http://www.sungardps.com/en/products/ifas.aspx
[73] Ibid

anything less than the same. Both offices are to be commended for their foresight in implementing a system that works. Not only does it work, users are using it for the intended purpose and it serves the needs of the user schools and departments as well as the ASD Purchasing.

ASD Purchasing may want to entertain implementing a bidding module in the future to assist with its competitive bidding process. This application would bring all processes under one application. Other Future applications and uses of IFAS may be to maintain a bidder's list and term contract tracking.

Recommendation 6.1: Implement a purchasing bidding module to assist with the competitive bidding process. (Long Term, Internal)

Recommendation 6.2: Implement a term contract tracking module to track multi-term contract to ensure contract remain current throughout their life cycle. (Long Term, Internal)

Recommendation 6.3: Use the vendor file to establish a bidder's list to better serve the vendor community. (Long Term, Internal)

6.3 e-Commerce Analysis:

Anytime technology is considered as an enhancement to an organization's processes the Internet and Intranet cannot be ignored. The two are part of the technology toolkit available to any organization and especially a procurement organization and their use must be maximized. ASD Purchasing has many communication needs that can be satisfied by use of the Internet and Intranet. The Internet is used when the communication involves communications with the external customers and the public. The Intranet facilities are used when the communications is to be limited to the internal customers.

The term Internet refers to the global network of public computers running Internet protocol. The key is that Internet services and information are accessible to everyone. An Intranet limits access to information and applications only to users internal to an organization; it is firewalled so that its computers cannot be reached directly from the public Internet. The creation of Internet portals is a mature and accepted approach by government agencies and private sector entities. Development of portals typically takes place in three stages, based on content, which increase in

both complexity and benefits:

- ❖ Static: Information and copies of documents which do not change and are provided for reference, such as the District Purchasing Policies.
- ❖ Interactive: Content which is indexed and may be searched based on customer needs, such as Bidding Opportunities.
- ❖ Transactional: Applications through which a customer can carry out a business process, such as Online Vendor Registration.

Most of the content on the ASD Purchasing website would be classified as static. ASD Purchasing's Web site contains three pages of content:

- ❖ Contact Information,
- ❖ Feedback Form, and
- ❖ Department and Bid Information.

"Contact Information" in a listing of the names, position, phone numbers and e-mail addresses for those individuals in ASD Purchasing. The "Feedback Form" is temporarily unavailable and of little or no value. "Department and Bid Information" is the most useful, as it informs potential bidders of the currently open bids. However, potential bidders are unable to download the bids from the Web site. By clicking on the solicitation number, potential bidders are taken to another Web page that contains additional information regarding the solicitation and the contact name, phone number and e-mail address to obtain a copy of the solicitation. Not a very useful process to the vendors and ASD Purchasing staff alike.

Potential bidders should be able to interactively download the solicitation of choice without having to contact ASD Purchasing. Additionally, ASD Purchasing individuals should not have to interject themselves into the process of providing a solicitation to the vendors. This should be an automatic process for all concerned, vendors and purchasing staff.

ASD Purchasing does not have an Intranet presence except to provide a number of downloadable forms. The Intranet is not being used as potential communications tool to keep the schools and departments informed. ASD Purchasing has a number of "How to" instructional guides and procedures, all of which should be included on an Intranet Web site where they are readily available for use. Additionally, the List Item catalog and current term contracts would be an ideal

addition to an Intranet Web site.

The District is using e-commerce in its purchasing process. Schools and departments may order on-line from the Staples catalog. As ASD Purchasing becomes a more strategic player and uses strategic sourcing methods, it will want to include the use of on-line catalogs and P-Cards, when approved for implementation, as a part of its specifications and solicitations. Including such in the solicitations will enhance and further the use of e-commerce by the District.

Recommendation 6.4: Create a truly interactive Internet Web site that can be used to communicate with potential bidders. Include downloadable solicitations, Vendor Guides on how to do business with the District, Board policy, vendor applications, and closed (awarded) solicitations.   (Short Term, Internal)

Recommendation 6.5: Create a truly interactive Intranet Web site that can be used to communicate with internal customers. Include downloadable forms, user guides on how to do business with the ASD Purchasing, Board policy, and internal purchasing procedures.   (Short Term, Internal)

Recommendation 6.6: Include requirements for on-line catalogs in future solicitations for term contracts.   (Short Term, Internal)

6.4 Consolidated Listing of Technology and e-Commerce Recommendations:

Recommendation 6.1: Implement a purchasing bidding module to assist with the competitive bidding process.   (Long Term, Internal)

Recommendation 6.2: Implement a term contract tracking module to track multi-term contract to ensure contract remain current throughout their life cycle.   (Long Term, Internal)

Recommendation 6.3: Use the vendor file to establish a bidder's list to better serve the vendor community.   (Long Term, Internal)

Recommendation 6.4: Create a truly interactive Internet Web site that can be used to communicate with potential bidders. Include downloadable solicitations, Vendor Guides on how

to do business with the District, Board policy, vendor applications, and closed (awarded) solicitations.   (Short Term, Internal)

Recommendation 6.5: Create a truly interactive Intranet Web site that can be used to communicate with internal customers. Include downloadable forms, user guides on how to do business with the ASD Purchasing, Board policy, and internal purchasing procedures.   (Short Term, Internal)

Recommendation 6.6: Include requirements for on-line catalogs in future solicitations for term contracts.   (Short Term, Internal)

Section 7. Implementation Plan

7.1 Legal Actions:

No legal actions are contemplated as a result of the Management Review and Analysis.

7.2 Proposed Organization Restructuring:

The organizational structure reveals that there are 35 full-time equivalent employees (FTEs) providing a full suite of purchasing services to the District. The Purchasing Manager position is a new position and had not been filled at the time of the on-site visit. The organizational structure was created predicated on the requirements of the present Section 725 and must be tested to ensure that it is sufficient to provide support to the internal customers. This structure may need to be revisited if Section 725 undergoes major changes.

7.3 Defined Roles, Accountability and Responsibilities:

Enhanced Board policy reflecting purchasing best practices will change the methods in which purchasing is conducted in the District. Internal customers, schools and department staff, will gain empowerment that will allow them to effectively operate their respective schools and departments. Delays in meeting the instructional mission will be reduced as the schools use technology to satisfy their supply chain needs. Vehicle maintenance down time will reduced when the maintenance staff can order the necessary replacement parts and receive them within the hour.

The roles, accountability and responsibilities of school, departmental and purchasing staff could change as a result of implementing a P-Card program. The schools and departmental staff would be empowered to accomplish on-line ordering using the P-Card to pay for the purchases. The purchasing staff's role would change from being an administrative, paper pushing entity to a role of being a strategic player establishing the term contracts needed to support the schools and departments using the P-Card.

7.4 Recommended School Board Policy Changes:

There are 24 recommended Board Policy Section 725 changes. See Section 3.3 Consolidated Listing of Board Policy Section 725 Review Recommendations for a complete listing of recommendations. The recommendations range from clarification of policy statements to a revision of Board Policy Section 725.

7.5 Necessary Security Measures:

There are no security measures required as a result of the Management Review and Analysis.

7.6 Identification of Major One-Time Costs:

There are no major one-time costs identified unless the District elects to outsource the development of a new/revised Board Policy Section 725. Those costs are unknown at this time and will depend on the scope of the project.

Appendix A. Interviews and Meetings

During the data-gathering phase of the engagement, a total of 52 individuals were interviewed, either through personal meetings, group focus sessions, or by telephone. Some Purchasing staff members were interviewed more than once.

School Board	Purchasing Staff, Buyers
John Steiner, President	Pam Chenier
Tim Steele, Vice President	Chris Wright
Kathleen Plunkett, Treasurer	Jan Anderson
Jeannie Mackie, Clerk	Wendy Nyberg
Jeff Friedman, Member	Carolyn Anderson
Pat Higgins, Member	Joel Hayenga
Vanessa Blake, Secretary	Michelle smith
	Paul Judd
Superintendent	**Purchasing Staff, Administrative Staff**
Carol Comeau	April Hoffman
Assistant Superintendent of Support Services	Debbie Green
Mike Abbott	Rey Sy Santos
Assistant Superintendent of Instruction	Danna Sanders
Ed Graff	Sarah Price
Chief Financial Officer	Barbara Benbow
Janet Stokesbary	Amey Tamagni
Chief Information Officer	Changel White
Jane Berglund	Nanette Jackson
Controller	**Executive Director of Human Resources**
Chad Stiteler	Eric Tollefsen
Lois Hartsfield	
East High School	**Hanshew Middle School**
Michael Graham	Sherry Ellers
Jeanne Hackenberger	Debbie Pool
Educational Technology	**Facilities**
Mary Wagner	Ray Amsden
Darla Jones	Mike Price
Pat Anderson	Rachel Molina
	Jerrian Bundy
Vehicle Maintenance	**Rabbit Creek Elementary**
Jay Adams	Mary Johnstone
Karine Wheeler	Golde Vacendak
Title 1 Department	**Audio/Visual Services**
Dianne Orr	Duane Moran
Tammy Million	Gail Sampson
Accounting/Accounts Payable	
Raylene Erickson	

Appendix B: Summary of Recommendations

There were a total of 49 recommendations during this engagement as Short Term (0 to 6 months), Medium Term (6 to 12 months), and Long Term (12 to 24 months) activities. There are no recommendations contained in Section 1 (Introduction) of the report. The following is a list of recommendations presented by individual section.

B.1 Purchasing Overview Recommendations:

Recommendation 2.1: Consider raising thresholds for non-competitive solicitations and the number of quotes required for informal solicitations as part of the adjustment of procurement policies and procedures. (Short Term, Internal)

Recommendation 2.2: Continue to review the new organizational structure as Section 725 evolves to determine if it provides the desired customer service levels with new policies. (Short Term, Internal)

Recommendation 2.3: Consider moving ASD Purchasing to the more strategically located District Administrative building. (Medium Term, Internal)

Recommendation 2.4: Develop a Professional Development Plan for each purchasing staff position including administrative staff. (Short Term, Internal)

Recommendation 2.5: Support and encourage purchasing staff to seek professional certification. (Short Term, Internal)

Recommendation 2.6: Coordinate with other public purchasing organizations, municipalities and school districts, to bring professional development courses to Alaska to save travel funds and provide necessary training. (Medium Term, Internal/External)

B.2 Board Policy Section 725 Review Recommendations:

Recommendation 3.1: Specifically delegate purchasing authority to the Director of Purchasing or designee so that delegation may be further made to the purchasing staff, as required. (Short Term, Internal)

Recommendation 3.2: Include definitions at the beginning of each section to clarify the terms used within the section. (Short Term, Internal)

Recommendation 3.3: Repeal the exemption for sole source procurements and develop a separate procurement method for sole source procurements to include justification, approval and quarterly reporting to the Board. (Short Term, Internal)

Recommendation 3.4: Repeal the exemption for cooperative agreements from local vendors only and develop an expended cooperative agreement procurement method. (Short Term, Internal)

Recommendation 3.5: Consider exemptions for additional commodities such as works of art, published maps and technical pamphlets, regulated public utilities where service and rates are not negotiable, conference, seminar and training fees, visiting speakers, professors and performing artists, memberships, dues and fees for conference and seminars associated or similar expenses, training courses and materials provided by accredited institutes of learning and employments contracts. (Short Term, Internal)

Recommendation 3.6: Include a separate policy section for specifications and their usage in the purchasing process. (Short Term, Internal)

Recommendation 3.7: Repeal the requirement to use "Brand name or better" specifications. (Short Term, Internal)

Recommendation 3.8: Include Board policy on the usage of standard specifications. (Short Term, Internal)

Recommendation 3.9: Establish the small non-competitive purchase threshold at $2,000. (Medium Term, Internal)

Recommendation 3.10: Include usage of P-Cards for small non-competitive purchases under $2,000. (Short Term, Internal)

Recommendation 3.11: Establish competitive sealed bidding as the preferred competitive

purchasing method.   (Short Term, Internal)

Recommendation 3.12: Require justification to use the competitive sealed proposal purchasing method. Justification should be in writing and maintained in the bid file.   (Short Term, Internal)

Recommendation 3.13: Establish sole source procurements as a purchasing method.   (Short Term, Internal)

Recommendation 3.14: Rewrite Section 725.15 to include emergency situations that create a threat to public health, welfare, safety, or property, such as may arise by reason of floods, epidemics; riots, equipment failures, or such reasons as may be proclaimed by the Superintendent.   (Short Term, Internal)

Recommendation 3.15: Require that the primary bidding opportunities advertising method be ASD Purchasing's Web site and an alternate method be by print newspaper or trade journals when the situations calls for additional advertising coverage.   (Short Term, Internal)

Recommendation 3.16: Develop technology policy that allow for Authorizations for use of Electronic Transactions, Electronic Posting and Electronic Signatures.   (Short Term, Internal)

Recommendation 3.17: Develop a multi-year contracting policy that allows long term contracts stating a maximum period and an exception with Board approval policy.   (Short Term, Internal)

Recommendation 3.18: Develop a policy on the types of contracts that are allowable and not allowable for use. Recommend that the cost-plus-a-percentage-of-cost contract be only allowed under special circumstances where it can be determined that this type of contract is likely to be less costly than other types of contracts. (Short Term, Internal)

Recommendation 3.19: Rewrite the appeals process to be more specific to individuals that are to receive appeals and those who are responsible for processing the appeals. (Short Term, Internal)

Recommendation 3.20: Disallow appeals on purchases under $50,000. (Short Term, Internal)

Recommendation 3.21: Develop a suspension and debarment policy to protect the District from unethical vendors. (Short Term, Internal)

Recommendation 3.22: Raise the Board approval threshold to $500,000 for competitively bid purchases. (Short Term, Internal)

Recommendation 3.23: Designate an individual the authority to sign contracts on behalf of the District. (Short Term, Internal)

Recommendation 3.24: Develop and unauthorized procurement policy with ratification and penalties for the unauthorized actions. (Short Term, Internal)

Recommendation 3.25: Revise Board Policy Section 725 to provide more clarity, better procurement methods, stronger delegations of authority including small no-competitive purchases, for future use of technology in the purchasing process, increased vendor relationships and use of better specifications and multi-year contracts. The overall goal in a revision is to allow ASD Purchasing the tools needed to support the District's essential purchasing requirement in support of the instructional and operations missions. (Short Term, Internal/External)

B.3 Procurement Best Practices Recommendations:

Recommendation 4.1: Implement a P-Card program for the small low-value purchasing transactions that account for 84% of the purchasing transactions and 5.1% of the dollars spent. Use for larger purchases or as a payment vehicle where competition has been obtained or is exempted, utility payments, etc. (Short Term, Internal)

Recommendation 4.2: Expand the authorization for usage of cooperative agreements to allow ASD Purchasing to select cooperative agreements offering the best terms and conditions and further negotiate for the best possible price. (Short Term, Internal)

Recommendation 4.3: Change from simply processing transactions to value added purchasing by using strategic sourcing methods. (Short Term, Internal)

Recommendation 4.4: Shift the procurement focus to supplier relationships and high value, complex, high-risk contracts. Eliminate the focus on low dollar/low risk items. Use mechanisms such as P-Cards and on-line catalog ordering to reduce the amount of time and effort spent on

such procurements. (Short Term, Internal)

Recommendation 4.5: Develop an Internet/Intranet strategy for purchasing. Look at what can be performed better electronically and free up staff time. Use these features to communicate effectively with internal and external customers. (Short Term, Internal)

Recommendation 4.6: Develop a program to identify opportunities where the District's spending power can be leveraged to aggregate spend and negotiate better contracts and allow use of the P-Card to purchase from such contracts. Put District wide term contracts in place to leverage volume for low dollar/low risk items and have the Customers order the goods or services themselves using on-line resources. (Medium Term, Internal)

Recommendation 4.7: Develop an electronic commerce strategy and plan for ASD Purchasing Procurement. Move to electronic catalogs and ordering as much as possible from them. Better discounts are usually available.   (Medium Term, Internal)

Recommendation 4.8: Perform a spend analysis on commodities that are being used across all District schools and departments and use strategic sourcing methods to procure the commodities for the entire District. (Short Term, Internal)

Recommendation 4.9: It is recommended that the School Board adopt an environmental stewardship policy that establishes the priorities of the District. Such a policy provides guidance to staff while also notifying the community of the District's commitments to the environment. (Medium Term, Internal)

B.4 Procurement Standardization Recommendations:

Recommendation 5.1: Establish a standardization committee to determine and approve standardized goods and services for use within the District's schools and departments. (Medium Term, Internal)

Recommendation 5.2: Establish standard specifications for those repetitive goods and services required. (Medium Term, Internal)

Recommendation 5.3: Establish annual requirements contracts for those products for which

standards can be created and for which there is a reasonably predictable demand.   (Medium Term, Internal)

B.5 Technology and e-Commerce Review Recommendations:

Recommendation 6.1: Implement a purchasing bidding module to assist with the competitive bidding process.   (Long Term, Internal)

Recommendation 6.2: Implement a term contract tracking module to track multi-term contract to ensure contract remain current throughout their life cycle.   (Long Term, Internal)

Recommendation 6.3: Use the vendor file to establish a bidder's list to better serve the vendor community.   (Long Term, Internal)

Recommendation 6.4: Create a truly interactive Internet Web site that can be used to communicate with potential bidders. Include downloadable solicitations, Vendor Guides on how to do business with the District, Board policy, vendor applications, and closed (awarded) solicitations.   (Short Term, Internal)

Recommendation 6.5: Create a truly interactive Intranet Web site that can be used to communicate with internal customers. Include downloadable forms, user guides on how to do business with the ASD Purchasing, Board policy, and internal purchasing procedures.   (Short Term, Internal)

Recommendation 6.6: Include requirements for on-line catalogs in future solicitations for term contracts.   (Short Term, Internal)

Appendix C: Benchmarking Survey

Please complete the benchmarking survey for the most recently completed fiscal year

General Information	
Name of Jurisdiction	**Anchorage School District**
Total Jurisdiction Full Time Employees (FTE – count)	**6,967**
Number of Purchasing Department Employees (FTE- count)	**20**
Director's/Managers	**1**
Buyers/Agents	**7**
Clerical/Support	**11**
Support Personnel	**1**

Budget Information	
FY Ending Date	**6/30/2009**
FY Budget (All Funds-Dollars)	**$737,518,990**
FY Purchasing Department Expenditures Include: Salaries, benefits, commodities, contractual, rent, utilities Exclude: Warehouse, stores, mailroom, printing, all non purchasing related expenditures	**$1,525,713**

Supplier Information	
Total Number of Suppliers	**10,586**
Total Number of Active Suppliers	**3,819**

Purchasing Threshold Information (in dollars)	
Formal Sealed Bids/Proposals	**$50,000**
Small Order Delegated Limit	**$250**
Written/Electronic Quotations	**No minimum, up to $50,000**
Public Advertisement	**$50,000**

Cooperative Purchasing Information	
Number of Purchase Orders	**22,291**
Value of Purchase Orders	**$149,874,641**

Average Procurement Cycle Time	
All Purchase Orders (Days)	**Not tracked**
Verbal Quotations (Days)	**Not tracked**
Informal Quotations – RFQ (Days)	**Not tracked**
Competitive Sealed Bids – IFB (Days)	**Not tracked**
Competitive Sealed Proposals – RFP (Days)	**Not tracked**

Training Information	
Average Annual Training Hours – per Professional Purchasing Employee	**26.43**
Purchasing Department Annual Training Budget	**$3,120**

Awarded Solicitations/Contracts	Number	Dollar Value
Written/Electronic Quotations		
Competitive Sealed Bids (IFB)		
Competitive Sealed Proposals (RFP)		
Other Competitive (i.e. Reverse Auction)		
Other Non-Competitive (Emergency, Sole Source, etc.)		
Total		

Purchase Order Statistics		
Purchase Order Value	**Number of Purchase Orders**	**Dollar Value of Purchase Orders**
< $5,000	20,566	$13,407,676
> $5,000 and < $25,000	1,238	$12,581,356
> $25,000 and < $50,000	235	$8,365,016
> $50,000 and < $100,000	112	$7,657,895
> $100,000 and < $250,000	77	$12,196,083
> $250,000 and < $500,000	32	$11,616,023
> $500,000	31	$84,050,592
Total	**22,291**	**$149,874,641**

Annual Revenue	
(Most Recently Completed Year)	**Dollar Value**
Surplus Property Disposal	
Rebates: Contracts/Cooperatives	$6,562
Fees and Other Sources	N/A
Other Non-Competitive (Emergency, Sole Source, etc.)	N/A
Total	

Purchasing Organizational Structure (select one)	
Centralized, in which all or almost all purchasing and contracting is done through one centralized department for the entire organization	X
Decentralized, in which most purchasing/contracting (over 50% of the dollars) is performed by using departments	
Centralized/Decentralized, in which some purchasing is done through a centralized department, and some is delegated to using departments	

Purchasing Organizational Structure (select one)	
Virtual Centralization, in which there is a centralized contracting process with decentralized execution	

Approval Thresholds (in dollars)	
Delegated (using departments) Small Purchase Threshold excluding P-Cards	**$250**
Chief Procurement Officer/Director/Manager	
Assistant Superintendent Support Services	
Superintendent	
Elected Officials	

Public Advertisement Method	
Posting in a Newspaper of General Circulation	**Yes, over $50,000**
Electronic Posting	**Yes, via Web site**
Other (please specify)	**Some specific trade journals, Buy Alaska, craigslist.com**

Appendix D: Staff Qualifications Questionnaire

Position Title: (Indicate present position title) _____

Experience: (Indicate number of years)

Number of years in present position: _____

Number of years in public purchasing: _____

Total number of years in purchasing career field: _____

Number of years with ASD Purchasing: _____

Education: (Check appropriate box)

☐ High School	Degree	☐ Yes	☐ No
☐ Associate degree	Degree	☐ Yes	☐ No
☐ Undergraduate	Degree	☐ Yes	☐ No
☐ Graduate	Degree	☐ Yes	☐ No
☐ Post Graduate	Degree	☐ Yes	☐ No

Procurement Certification: (Check appropriate box (es))

☐ CPPB   ☐ CPPO
☐ APP   ☐ CPM
☐ Other: _____

Professional Development: List professional development courses completed in the past 5 years, include Webinars, continue on reverse

_____   _____
_____   _____

Other Training: (List all other job-related training, continue on reverse)

_____   _____
_____   _____

Appendix E: Richland County School District, South Carolina

Furniture Specifications Guidelines

Furniture Specification Guidelines
Introduction and Methodology

I. Intent

The purpose of this document is to provide current furniture selections and specifications for **R**ichland County School District One facilities. The furniture items indicated in this document are based on the following criteria:

Current trends toward computerized classrooms,
Technology standards in the furnishings industry,
South Carolina state furniture contracts.

The furnishings selections and room plans included provide a basis for the selection of furniture in new and existing Richland County facilities. As it is impossible to include all manufacturers for each item, actual furniture items and finish materials may vary based upon the requirements of the users within the facility. The furniture specification sheets included in this document are separated by area and/or furniture item, as appropriate. Note that prices included are for budget purposes only and are subject to change. Actual costs will be provided when furniture and finishes are selected.

As facilities within the Richland County School District require furniture the specific furniture items will be selected. Each project will have its own customized furniture specification binder with actual furniture and finishes included. The furniture for each facility will be selected and approved by the principal in accordance with the district standards and recommendations by the interior design consultants. The customized binder will assist each school when ordering additional furniture items.

II. How to Use These Guidelines

As the furniture consultant for Richland County School District One, when facilities require furnishings during the extent of this contract, Herald Office Systems will provide the following services:

Meet with the facility personnel to determine specific furniture requirements,
Assist facility personnel in selecting furnishing items that meet the requirements and budget constraints while providing the most functional and durable product available,
Prepare furniture plans with furniture keyed to the furniture specifications,
All layouts and furniture items shall meet appropriate building code and ADA requirements,
Coordinate furniture materials and finishes with the building finishes,
Prepare detailed furniture specifications for procurement of the furniture, and whenever necessary prepare furniture bid specifications packages for Richland County School District.

In addition to the standardization of furniture items selected and purchased by Richland County School District, it is also desirable to standardize similar spaces within each school to accommodate flexibility and changing personnel.

The defined areas in the outlines and worksheets included are based upon current school trends and information gathered from other South Carolina School Districts. The actual spaces may vary depending on the design of the facility.

Additional services that may be provided as needed include the following items:

Move management of furniture,
Disposing of old furniture items,
Detailed furniture inventory if furniture is to be relocated.